

Timeless Ventures

32 Japanese Companies that Imbined 8 Principles of Longevity

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Haruo Funabashi

*Visiting Professor, Hitotsubashi University Graduate School of
International Corporate Strategy, Tokyo*



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To
the young entrepreneurs

Praise for Timeless Ventures

“Prof. Haruo Funabashi’s book is based on research into the long-lived companies in Japan. What this book suggests, is the application of philosophy to daily work life, which is not only valid but also useful in today’s world. The principles...distilled from it, for instance, respect for people, continuous improvement, long-term vision and so on, are essential and indispensable to building sustainable businesses, the economy and society at large”.

Hiroshi Okuda

*Senior Advisor and Member of the Board,
Toyota Motor Corporation,
Former Chairman of Japan Business Federation*

“The business world needs an insight into the reasons why centuries old companies survive in Japan in marked contrast to the demise of their much younger counterparts in the western world. This book seeks to investigate this phenomenon, and provides some answers. It is obvious that long-surviving companies must integrate with the communities in which they are set up and in which they operate. There is a lesson here that one can learn from Japan. In India also, we are now realizing the importance of the company-community integration for the well being of both”.

Jamshed J. Irani

Director, Tata Sons

“*Business for people* or *people for business* is a dilemma often faced by those in business. It is not rare to see people subscribing to the former but actually practising the latter. Prof. Funabashi’s book, replete with considerable data and insightful research, establishes without doubt the attributes that make a business survive and prosper for decades and even for centuries, and it is the *business for people* precept that clearly comes out as the anchor for longevity and prosperity”.

Kishor A. Chaukar

Managing Director, Tata Industries

“...In recent times, we talk more about building big businesses than on how to make them last. Prof. Funabashi’s attempt to draw out elements of longevity from different types and sizes of institutions in Japan is interesting. On one hand, it reminds us about long-lived movements in India like the over twelve hundred year old Sringeri math of Karnataka or the Warkari and Nath Sampraday in Maharashtra, and so on. On the other, it is about a subtle synthesis and the influence such movements could have on the day-to-day running of our businesses and institutions. I was inspired by the book”.

Jitendra B. Divgi
CEO, Divgi-Warner

Foreword

In India, we generally do not equate a family-run business with longevity. The impression that many of us have is that family-run organizations are not “professionally” managed, whatever that is supposed to mean, and therefore tend to break up or fail by the time the second or at best the third generation of the family is at the helm. Professor Funabashi’s very incisive and relevant study of long-lived Japanese organizations, most of which are family-run, tends to refute this argument and points to a far more meaningful cause for the malaise that faces our family-run organizations.

If the term “professional management” is supposed to mean management of an organization by people who are well-qualified in management, there are enough examples of family-run organizations which have been managed by highly qualified family members and which have still disintegrated. It would seem, therefore, that the answer lies elsewhere.

Professor Funabashi has equated the longevity and sustainability of organizations with a certain set of organizational objectives. He has also shown that in long-lived Japanese companies, these objectives have been long term and aimed at benefiting the society rather than individuals. These two approaches, to me, are at the heart of the success in sustaining organizations and contributing to their longevity.

Individual benefit and organizational sustainability make incompatible bed fellows. The business environment is replete with examples of this incompatibility. Western culture has emphasized the importance of the individual over that of the society whereas Eastern philosophy emphasizes the importance of society. Unfortunately, Indian business practices have been modeled largely on western philosophy even though in so many other aspects of our lives, we replicate eastern thought. This, to my mind, is the reason for the lack of sustainability of our business enterprises.

On the other hand, if one needs any example of a sustainable enterprise, all we need to do is look at the house of Tatas. Jamsetji Tata’s business philosophy was: “thus the cycle is complete, what came from the people has gone back to the people many times over”. This became the objective

of all Tata companies. To ensure that this happened, Jamsetji structured the ownership of his enterprises in such a way that eighty percent of the equity of the original company, Tata and Sons, was owned by charitable trusts, and so eighty percent of their profits would go back to the people in form of developmental programs created by the trusts. Even today, over sixty percent of the equity of Tata Sons, the parent company of the Tata group, is owned by the various Tata trusts, which gives back generously to society. For instance, the Tata trusts have been responsible for the creation of pioneering institutions of national significance—The Tata Institute of Fundamental Research, Mumbai; The Indian Institute of Science, Bangalore; The Meherbai Tata Cancer Research Hospital, Mumbai; the National Centre for the Performing Arts, Mumbai and hundreds of other projects for the benefit of Indian community.

Most importantly, the individual profit motive has been removed by an exemplary leadership and its impact at all levels is that the officers leading and governing Tata companies are able to concentrate on building institutions and the nation. Uncompromising business ethics and adherence to the objectives of their organizations have enabled the house of Tatas to lead for over 130 years and still grow!!

If Indian industrial organizations are to be sustainable, they need to clearly define their objectives and ensure that these aim at contributing to society rather than any individual or group of individuals, while also addressing the future goals of the society at large.

I believe that Funabashi's book rightly emphasizes on how business with principles and vision of the future helps all types and sizes of businesses to overcome obstacles to endure and grow for centuries.

Sarosh J. Ghandy
Regional Director
Caux Initiatives for Business, Bangalore

Prologue

I am delighted that my book *Shin Nihon Eitaigura* (Principles of Corporate Perpetuity), first published in Japanese in 2003, is now available to a wider readership in English under the title *Timeless Ventures: 32 Companies that Imbined 8 Principles of Longevity*. It is a distilled account of my research into 32 long-lived companies in Japan and their histories. Through interviews with senior executives and study of available documents I have identified what makes a corporate entity live longer and explored if its business experience is based on certain principles that enable it to perpetuate itself.

I am proud that the book has evoked interest outside Japan even five years after the original publication. It is obvious that sustainability is an important issue confronting businesses today and is increasingly becoming critical. In this context, I firmly believe that the manner in which many long-lived companies in Japan have been run may provide a fresh perspective on this issue. This book summarizes their stories and the eight principles that they have been following as a legacy from the past. An estimated 20,000 of the 1.24 million companies in Japan have been operating for more than a hundred years. About 1200 companies have a history of more than 200 years and about 600 companies, more than 300 years. About 30 companies have survived for more than 500 years and five, for more than a thousand years!

The first lesson that I have learnt is that long-lived companies tend to revolve around certain types of businesses. These are: (a) businesses that are closely linked to everyday life—food, clothing and shelter; (b) businesses that are mainly family-governed; and (c) businesses that have been closely associated with and influenced by the culture, history, religion and philosophy of Japan. But, why are there so many long-lived companies in Japan? Some reasons that emerged from my studies are: firstly, Japanese have a unique view on running of businesses and corporations; secondly, Japanese philosophy and religion have influenced the businesses throughout Japan's history; and thirdly, geographical conditions that isolated Japan from other developments in the vicinity also affected its economy.

The first factor that governed the Japanese way of doing business is, perhaps, the most important one for perpetuating a corporate entity. It is Japanese people's unique view of business, corporations and employees. Japanese people strongly believe that the purpose of running a business is not simply to make money, but to contribute to the well-being of society. When a company operates on the basis of this faith, it becomes difficult for the owner to close down the company, sell it or use its assets or income for personal gain. Japanese entrepreneurs do not own corporate organizations as personal properties. Instead, they believe that a business organization is a legacy to be preserved and handed over to future generations. This business perspective is, no doubt, rooted in the idea of family and significantly influenced by the Confucian concept of filial piety.

In Japan, company owners or executives do not believe that their companies are simply a place where employees peddle their labor. They also do not think that corporations belong to a few capitalists, nor do they regard the basic relationship between capital and labor as hostile or conflictual. Rather, employees believe that their workplaces are avenues of their holistic self-development in terms of both professional and personal achievements to find a sense of deep satisfaction and fulfillment. No wonder, employees with such ideas are likely to feel a certain degree of sustained attachment to their companies. As one can see, the Japanese way of doing business and treating the employees actually go in favor of perpetuating their businesses. So, organizations do strive to ensure that employees work happily and feel fulfilled.

The information gathered from the interviews surprisingly shows that Japanese business is influenced by Indian philosophy. Employees approach work with a mindset shaped by Zen school of Buddhism. Some of its influences are manifest as value of people's labor, perfection of work, excellence at the workplace and fairness in engaging with and treating employees. It further sets objectives for the 'self', such as attaining a higher goal for one's life. It is fascinating to see how all these influences combine into a code of conduct within organizations that helps them sustain for long.

Secondly, a noteworthy factor for sustenance is the influence of Japanese religion and philosophy which emphasize co-prosperity through preservation of traditions and values. These values and traditions have been perpetuated through ages because Japanese have a high respect for them and they are strongly embodied in the Japanese imperial family

system. As a matter of fact, Japan has the world's longest unbroken history of national sovereignty and is known to have demonstrated support for traditions in their most typical forms. Japanese have lived in harmony under the shadow of Shintoism, Confucianism and Buddhism for many centuries. In such a society, there is little room for religious conflicts. Hence, Japan has largely created the foundations for coherent spiritual enablement of values like harmony and tolerance that are conducive to the development of a society and business culture based on trust.

Buddhism particularly has played an important role in nourishing the spirit of peace and harmony that has allowed for co-existence. Buddhism emphasizes the importance of and love for all forms of life and nature, or in other words, a spirit of co-existence, respect for people and inclusivity. This simple, direct, and noble message has permeated the Japanese society and is rooted firmly in the hearts of its people including entrepreneurs.

In this context, it is significant to note the remarkable cultural resemblance between the two nations—Japan and India. We share the some common philosophical foundations, particularly the spirit of co-existence, regard for the value of resources and respect for people. Both nations further resemble in their frugality and moderation in life as against greed for growth, mass consumption and wastage of resources. We commonly believe that people are central to growth and that money and goods alone cannot take the place of people. In this sense, it is very pertinent to introduce long-lived companies in Japan to readers in India.

Thirdly, as regards the geographical conditions, Japan is topographically unique. The Japanese archipelago is located in isolation amidst a wide expanse of sea. The fact that Japan is totally detached from the mainland Asia minimized the risk of invasions in the past. The warm and rainy climate has made it self-sufficient and conducive to rice cultivation, thereby feeding a larger population than the country's limited soil cover would otherwise be able to support. The undulating terrain also functions as a means of protection. So, geographically, Japan as an independent entity has nurtured its traditions and maintained its identity over time, and this trait finds its presence in its business practices.

The eight principles presented herein are generic in nature. They are applicable to all kinds and types of businesses. These stories show that long-lived corporations do not necessarily have to be big or very wealthy; they can be ordinary and simple businesses. Their technology is

commonplace and they produce and sell products of daily use. Further, I would like to add that no basic modifications or additions have been made, and though detailed historical narratives familiar to the Japanese have been simplified, the stories have been faithfully presented in their original form in this book. Greater emphasis has been laid on the lessons from the stories. So, I have tried to distill those aspects of Japanese businesses by which they could find ways inspite of various difficulties to nourish the lives of people and their institutions!

The idea of publishing this book into English took roots in November 2007 when I had the opportunity to speak at the Caux Initiatives for Business at Panchgani in western India. I would like to sincerely thank Mr. Toru Hashimoto, the Chairman of Deutsche Securities Inc., for making me a member of the visiting delegation. I would also like to express my heartfelt appreciation for the Tata group for making this publication possible. It is a great honor to be associated with this esteemed corporate organization with over 130 years of history and significant work in corporate sustainability to its credit. In particular, I express my gratitude to Mr. Sarosh J. Ghandy, the Regional Director of Caux Initiatives for Business, for introducing me to Mr. Anant G. Nadkarni, Vice President for Group Corporate Sustainability in Tata. Mr. Nadkarni, who not only coordinated with the publishers but also worked considerably on this book, put me in touch with Dr. Jamshed J. Irani, Director, Tata Sons; Mr. Kishor A. Chaukar, Managing Director, Tata Industries; Mr. Satish Pradhan, Executive Vice-President, Group Human Resource; Mr. Sunil Sinha, CEO of the Tata Quality Management Services, and several heads of Human Resource functions in the Tata companies. Without their invaluable support and good wishes this book would not have been possible and that too in a short span of time.

I dedicate this book to all entrepreneurs who are striving to find ways to build and sustain their businesses, irrespective of their size and type, to serve their people for many, many years to come.

Haruo Funabashi

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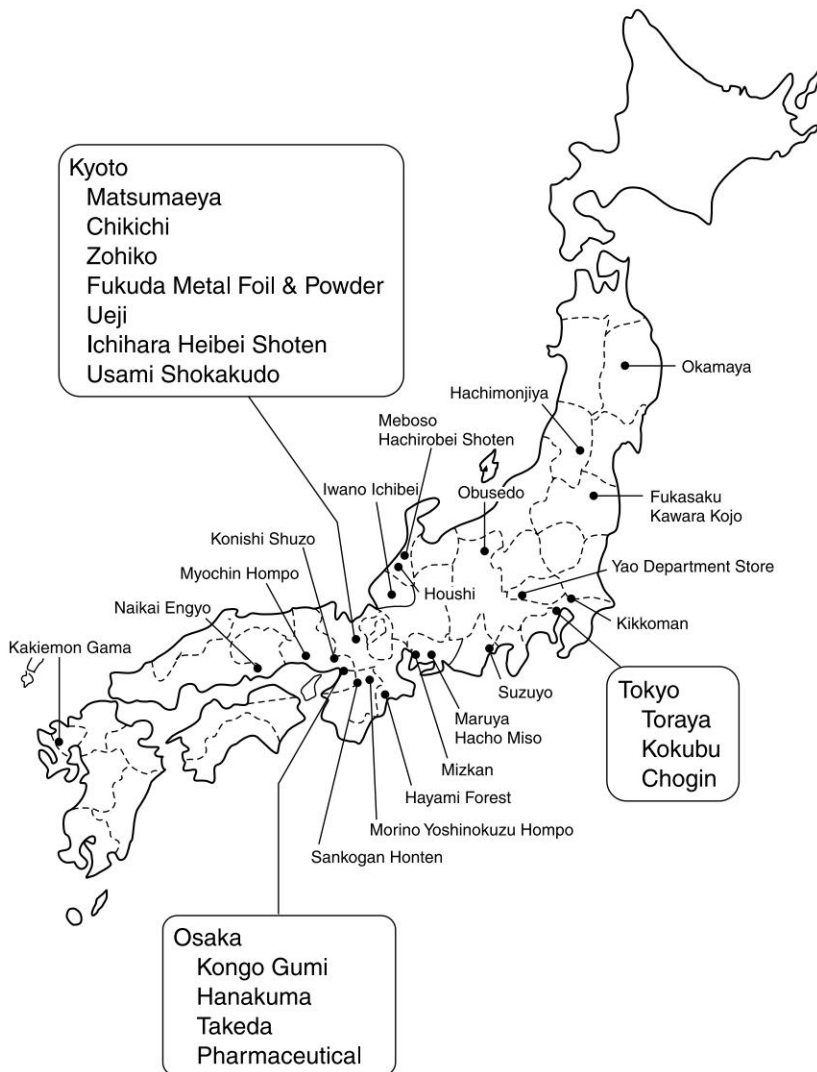
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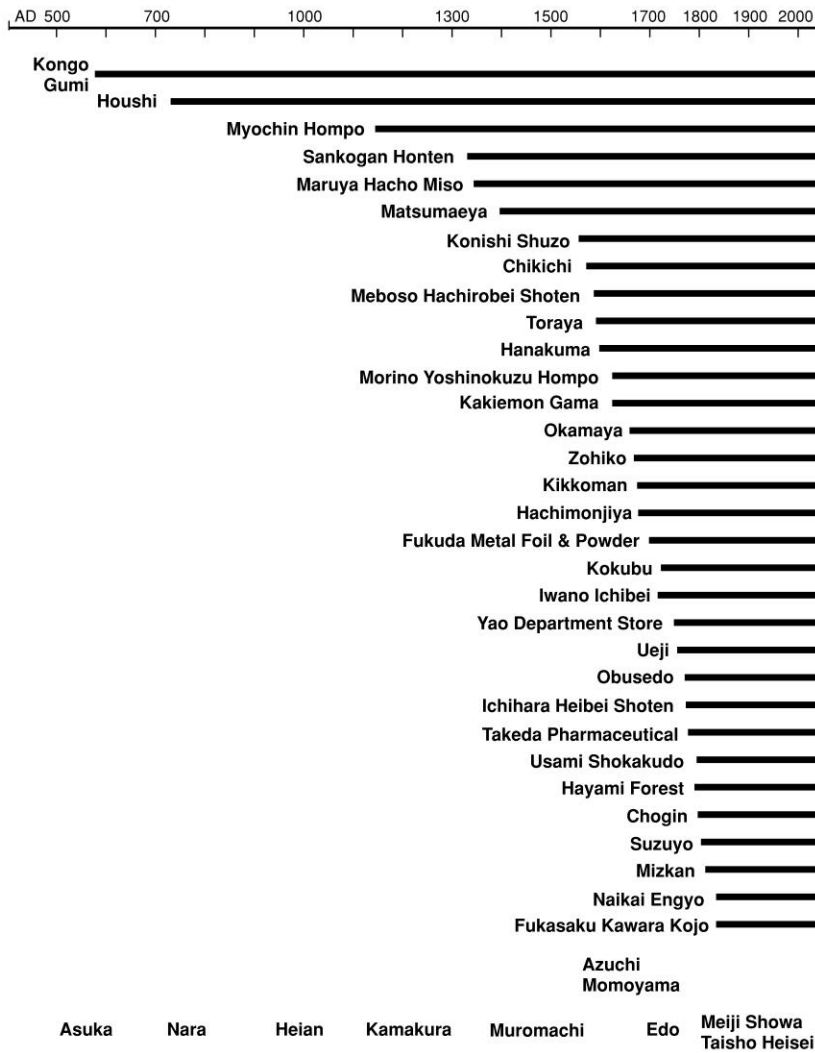
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Map of Japan



Japanese Historical Periodisation



指導力

Principle 1

Leadership Driven by Clear Values, Vision and Mission

Leadership and its influence on governing and managing business are fundamental. Most records show a common pattern wherein leadership is driven by clear values. It then provides a vision which serves two purposes: firstly, it triggers aspirations, motivation, meaning and purpose for all concerned; and, secondly, it gives a sense of direction to translate intent into a 'mission for action'. It also indicates that these companies constantly established precepts, rules, codes of conduct and so forth, mostly verbal and written in some cases. These got crystallized their founders' thoughts and especially guided everyone through a difficult period, taught them how to continue their businesses and constantly inspired them to persevere on how to overcome their difficulties. At the bottom of it all, businesses had developed this as a modum of creating a time-tested legacy of trust and reputation.



Kokubu (Food and Liquor Wholesaler, Tokyo)— The Spirit of “Trust Comes First”

In the first story of Kokubu, a leading food and liquor wholesaler, having almost 300 years of history, they have maintained the spirit of “Trust Comes First” generation after generation. To embody this spirit, they have established family precepts and rules and endorsed it many times over the years without altering the core values and the spirit itself.

Kokubu’s headquarters is situated in Nihonbashi, Chuo Ward, Tokyo, near the headquarters of Nomura Securities. The vicinity of Nihonbashi has always been a busy shopping area in Edo, and is still home to many companies and stores with impressively long histories.

In front of Kokubu is Kuroeya, a lacquerware another store founded in 1689. Diagonally opposite is Nishikawa Sangyo, a descendant of an Oumi merchant, dealing in futon, bedding and other such goods. This company was founded in 1566. In front is the former Shirokiya, now shopping centre Nihonbashi Coredos, situated in Haibara, a shop specializing in paper. This was originally founded in 1806. And diagonally opposite the site of the former Shirokiya is Yanagiya, which is said to have received its land from the Tokugawa Ieyasu Shogunate through a Chinese, Lu Yigun, an ancestor of the Yanagiya-hori Family and dates back to 1590.

Another large number of stores and businesses surround this area. Towards Takashimaya Department Store (founded in 1831) on the left you will find Yamamotoyama, a vendor of *nori* (seaweed) and tea which was founded in 1690.

Turning back, a walk across Nihonbashi towards Mitsukoshi Department Store (founded as a kimono shop in 1673 and as department store in 1904) will take you to Yagicho-Honten, a specialty seller of marine products. In the Edo period, this place was called Nihonbashi *gashi* (fish market) and featured a row of seafood wholesalers. A shop belonging to Sugiyama Sampo, the patron of the *haiku* poet Matsuo Basho¹ also used to be located in the neighborhood. Yagicho is the only remaining store. It was founded in 1737.

¹ Matsuo Basho (1644~1694), Japanese poet, most famous composer of seventeen-syllable short poem (haiku)

Advancing towards Kanda you will find Yamamoto-Nori-Ten, established in 1849. On turning the corner at Yamatoya, a specialty vendor of *katsuo-bushi* (dried bonito flakes) you reach Nihobashi- Funasa, a store specializing in *tsukuda-ni* (food boiled down in sweetened soy sauce) which was founded in 1862, and Kanmo, which specializes in *hanpen* (ground fish cake), which was founded in 1688.

This list goes on and is really quite inspiring to see extremely venerable companies all clustered together in this district. It is also an interesting observation that all the companies cited in the book are small- and medium-sized businesses and dwell in day to day products and services. It is they who provide the inspiration that business is more than just make the money. It is more about serving people over and over again!

Starting as a Soy Sauce Brewer

Records state that Kokubu was founded in 1712. That is the year in which the fourth Kanbei Sozan of the Kokubu family established a soy sauce factory in Tsuchiura (now Ibaraki Prefecture), starting the business under the style of Daikokuya. The same man also opened an Edo store in Nihonbashihoncho.

At that time, soy sauce manufacturing was flourishing throughout the Kanto region. Numerous breweries were built in Tsuchiura, Noda and Choshi in Chiba Prefecture and other locations, near which the ingredients namely wheat and soy beans were produced. These areas also had the advantage of being well situated for water transport to Edo, the center of consumption. Daikokuya was one such brewery.

But since the core of business practice entailed that those who run the manufacture and trade had to be trustworthy the origin of the family had to be carefully considered. The Ise and (Mie Prefecture) and Oumi (Shiga Prefecture) merchants were the most prosperous and reputed merchants in the Edo era. The best one of those from Ise was the Kokubu families which is why they were chosen to lead these businesses.

Pioneering the Foodstuffs Market

The commotion during the closing years of the Tokugawa shogunate and the Meiji Restoration pressed many companies to make hard choices. Some foresaw the expiration of the shogunate and lost no time in allying with *Saccho* (an allied power against Tokugawa of Satsuma [presently

Kagoshima] and *Choshu* [presently Yamaguchi]). Others died as martyrs to the shogunate. Some may have readily made a business-like decision to deal with both sides, just to be on the safe side.

The larger the business and the deeper the relations with political powers, the harder the choice became. In the case of Daikokuya Kokubu, though it was not necessarily a company with political affiliations, the choice facing the family head (eighth Kanbei) and the management at the time must have been such a painful one.

Yet, times of change also bring opportunities. The decision by Kokubu discarded its soy sauce manufacturing and specialized in the general wholesale of foodstuffs provided an opportunity for it to expand later. Considering the move Kokubu made from the closing years of the Tokugawa shogunate into the Meiji era, the company deserves to be considered a pioneer in the foodstuffs market.

Kokubu has been involved in tea manufacturing and trade, as a distributor of Dainippon Beer as well as an exclusive seller of Ajinomoto products. It has been engaged in the bottling of soy sauce and sake, the distribution of *Calpis* or *Calpico* (an active acid bacteria beverage since the Taisho period [1912-1926]) and other businesses. Since the Meiji era, then, Kokubu has been a wholesaler of foodstuffs as its mainstay merchandise, and today it has grown to be Japan's leading company in the area of liquor and foodstuffs wholesale. Through the tumultuous times what ran like a golden thread holding different businesses together is the reputation of the family that led the changes in trade.

I met the president, the 12th Kanbei, who is the head of Kokubu. Mr. Kokubu says, "At the end of the day, trust counts when it comes to being a company that is able to survive major changes. It is impossible in our business to buy or sell goods without trust. Never fail to keep a promise, and be straight about paying what you owe. That's the bottom line. Things change so we must adapt. In our company we do not have a policy of hanging on to our current main job and protecting the family business."

Currently, Kokubu primarily sells foodstuffs; but they are open to change. Mr. Kokubu goes so far as to assert that his firm is willing to advance into manufacturing, services or financial industry, if commerce is not the answer.

"Ise used to be a center of information and I think that is why our ancestors were naturally and directly exposed to the idea of moving ahead

of their time,” Mr. Kokubu says, showing the strongmindedness you would expect of a descendant of an Ise merchant. On the topic of trust Mr. Kokubu mentions, we have the words of the tenth Kanbei, the president from two generations ago:

“I have no special secrets for staying healthy. I eat in moderation no matter how delicious the food may be and never take more than a *go* (0.18 liter) of sake at a sitting. And I continuously keep an eye on subtle hints for commercial opportunity. Fortunately, here at Kokubu, thanks to the cooperation of all store staff, the rightful motto, “The spirit of Kokubu is trust itself” has never been lost before or after the war. This is a joy and I am grateful for it.” (*Kokubu Shoshi, company's history*. KOKUBU & Co., Ltd., 1992)

The reference to trust as “the rightful motto” is pleasing. After incidents such as the false labeling of beef and the fraud involving a governmental subsidy, it seems that the importance of trust and the austerity it requires can be felt more deeply. The period of tenth Kanbei (1883-1975) was very difficult ages like the Great Earthquake (1923), the defeat in Second World War (1945) and the following disorder and so on.

Facing these difficulties he had still kept the spirit of trust. I think, for him the meaning of trust consisted of two elements. First, was not to betray his consumer. Kokubu invented the new container for the soy sauce so that consumers could get smaller portions than from the barrel or bottle. Innovating for the consumer was a service only caring businesses could give at that time.

Second was not to betray his employees. I would like to emphasize on the efforts of tenth Kanbei who had absorbed many employees come back from China where Kokubu had to run big business after the Second World War.

Beyond Trust to Discipline, Austerity and Frugality

This spirit of “trust comes first” has become a principle of Kokubu as a corporate entity. One example of what has nurtured this is the presence of *kaken* (family precepts) and *kasoku* (family rules), which have been handed down for generations. At Kokubu, these were called *Jomoku*, *Shikimoku* and *Chomoku*, out of which four still remain today. The first is 38 articles of *Jomoku* established in 1774, second, the 20 articles of *Shikimoku* in 1793, third, the 37 articles of *Osadamari-no-utsushi* in 1876, and lastly, the 18 articles of *Chomoku* in 1882.

Reading these precepts reveals what was important to the heads of the families at the each time of founding their business. We can also see what they felt needed to remain as a consistent foundation and what needed to be modified to reflect the changing times.

Speaking of what has been modified to adapt to social changes, such warnings as “Do not enter the castle premises wearing *geta* and *ashida* (traditional wooden clogs for use outdoors and in the rain),” “Do not be rude to samurais or officials of the town magistrate if you meet them in the street,” and “Soy sauce as a gift for the feudal fief needs to be delivered with special care” in the *Jomoku* in 1793, important as they certainly would have been at that time, were not subsequently included in the *Chomoku* in the Meiji era.

These small themes that run consistently throughout these precepts are: first, trust; second, discipline; and third, austerity and frugality. Certainly, these were put down in the form of specific teachings, because that is usually the case with *kaken* and *kasoku*. To take an example of trust, it is emphasized that in treating clients, all customers—even those who buy only one barrel—should be treated equally with kind and close attention.

It would be a slight exaggeration to say that this is an example of starting with a form and ending with spirit, but this is the way business should be. Mr. Kokubu concluded by saying, “What I keep in mind as a president is to think about how to make the employees come up with creative ideas or how to motivate them to do so because it is they who do the work. I only give general directions and avoid too much detailing. However, three rules are engraved on my heart: Never fail to reward good conduct; be fair to everybody; and all of us, myself included, must follow the set rules”. Mr. Kokubu suggests, senior management must be the first to be disciplined.

Takeda Pharmaceutical (Osaka) – Take No Shortcuts

Takeda Pharmaceutical established in 1781 is the number one pharmaceutical company in Japan who has annual sales of about 13 billion US dollars has looked after their values within Takeda families. One of them is captured in a simple Confucian phrase “Walk on no bypaths”. It means to see the reality as it is and to approach it head on without using any wiles or any compromise in the values.

These profound words are from *Yoya* volume, Analects of Confucius. Tzu-yu, a follower of Confucius, was appointed governor general of Wucheng. Confucius asked Tzu-yu if he had found a right sort of subordinate. He said yes and spoke about a person called Tantai-Miehming, stating that this person did not use 'bypaths', but walked on a broad long road under the sun in a dignified manner and that he only came to Tzu-yu's office for official duties.

Mr. Takeda Kunio regards "without walking on bypaths" as his treasured motto. He is the president of Takeda Pharmaceutical Company Limited, one of the leading pharmaceutical companies in Japan, which was established in 1781.

Mr. Takeda said that his father, Takeda Chobei, the sixth family head, often quoted this phrase. The father also mentioned that success required good luck and an adequate degree of dullness and perseverance. As Mr. Takeda is the third son he did not initially consider taking over the business. But after he became president, he often got to thinking about these words and their meanings as applied to business.

Bring Greater Focus, Make the Right Changes but do not Compromise on Values or Walk the Bypass

This was clear to Mr. Takeda when he was appointed president of Takeda Pharmaceutical Company Limited in 1993. At that time Japan was starting to decline from the heights of the bubble economy and still Takeda managed to expand sales, increase profit and enhance the return on equity during these ten years. The company systematically promoted self-initiated reform under his leadership. What he has done, briefly, consists of painstaking processes of selection and focus.

Pharmaceutical companies have to spend a massive amount of money on research and at the same time compete with global giants. With so many challenges one cannot have the luxury of elaborate business processes, and so, you cannot be seen as just doing anything you want even if you think it is right! I guess he probably faced a strong backlash both inside and outside the company.

As usual, there were some executives and staff who were unable to let go of the old order and practices, and there were the retired people who wanted to depend permanently on the company and business partners

who never thought the company would reconsider the value of a long-term relationship.

The leadership job was about taking some tough decisions and it was a difficult job for him to change the awareness and mindsets of these people. You cannot be nice to everybody if you want to reform a company. Sometimes Mr. Takeda had to make some difficult choices. It was at such times I wondered whether the precepts such as “without taking the bypaths” would have provided him with some much-needed emotional support. After all, the shortest way is to walk on a large street in a dignified manner. If you resort to cheap tricks that are too clever by short term measures, you cannot resolve the issues you are facing or alleviate friction even though you can temporarily avoid the issues or reduce the friction. Mr. Takeda must have been honest in applying these principles.

He told me that the most important aspect of reform was to start with a clean slate so that you see things clearly and it enables you to raise questions and understand issues better. Mr. Takeda felt at that time that it is best to start with oneself! It is the most difficult thing but encouraging everyone this way to keep clean was the only thing you have to do is put into practice. At that time, when all you needed was courage, this attitude on self-change worked miracles.

An Idea Based on the Teaching of Prince Shotoku

Another difficulty which could not take the bypath was about Mr. Takeda’s faith in a leadership style for the CEOs that must not be blinded by private interest. This is an idea based on the teaching of Prince Shotoku². There is a saying, “easy to say, hard to do.” As I listened to Mr. Takeda, who has put these reforms into practice, I felt the weight of these words. I also found that he offered causes of and practical remedies for the current persistent stagnation of the Japanese economy.

Mr. Takeda went on explaining. He has been focused on profit over the past ten years. The sales figures have improved very much although the reforms are just half done. However, he is not satisfied with the current focus on profit. About two years ago, while reviewing the company rules,

² Prince Shotoku (or Shotoku Taishi, 574-622) was an influential regent of Japan’s Imperial Court in Asuka era (591-710). He made great contributions to Japanese constitutional government and ethics.

Mr. Takeda started to think deeply about what he could do to go beyond the present focus on self-interest, i.e., do something for his people. Takeda as a company strove for better health for them and linked it with the purpose of their business which is showing progress in medicine by developing superior pharmaceutical products. This is now incorporated in Takeda's corporate philosophy.

He wants to develop Takeda into a company that is capable of realizing the corporate philosophy. Takeda's original company rules were stipulated by his predecessor Takeda Chobei, the fifth head of the family, in 1940. However, they reflect the influence of the teachings of Prince Shotoku in which it is believed. 1. Business is meant for the benefit of enhancing public good and contributes to the nation. 2. Make concerted efforts through close cooperation without opposing each other. 3. Try to train your mind and acquire skills without neglecting business. 4. Put emphasis on quality and substance. Avoid pretentiousness and taking the bypass. 5. Be polite and modest at all times. This way Takeda combines philosophy to work in everyday life. Mr. Takeda recalls these rules from time to time and is persistent with them. The Company had passed through many traditions and come a long way. The fifth family head, his grandfather, 1870-1959 lived in the Meiji and Taisho eras to the Showa era, developing Takeda into a modern pharmaceutical company.

Mr. Takeda used to live with his grandfather and often listened to his stories of hard and good times. "I was told in my family not to waste even a sheet of paper, being brought up in a merchant family in Osaka. The family was very careful in use of money. However, in later years they boldly invested a lot of money as necessary while usually managing it well and saving when possible. Frugality has brought us a long way". Family as a structure or medium of transferring a legacy is important. Mr. Takeda regards their attitude as consistent with a lot of wisdom, having witnessed these family attitudes since he was a little boy. Mr. Takeda lived together with the fifth and sixth family heads, his grandfather and father. This is how Mr. Takeda has inherited from his family the morals and values of their times.

The power of making a contribution to the public was as important as the power of making money. During the time when their first leader Chobei was alive, the inventory asset became about fifty times larger by 1805. The second Chobei expanded the family business. The sales amount grew about six times larger. The third Chobei seems to have concentrated on

making the business sustainable and resilient. At the end of the Shogunate, his greatest challenge must have been preserving and handing over the family business at such an unsteady time.

Chobei, the third family head, wrote the family precepts stipulating the principles for ten years of frugality. They consist of fifty-nine provisions, ensuring the highest level of caution I have ever seen. For example, the family members were obliged to refuse the services of tailors and fashionable stores, they were not to drink or go to the theatres, and so on. The family precepts were written on old wrapping paper used for mid-year gifts. I really understand what we otherwise would have called “the stingiest of the stingy”, mentioned Mr. Takeda. This enabled them to survive through the end of the Shogun ate and maintain and develop the family business while the people around them were generally placing importance on saving at that time. For the Takeda family, the frugality is not just for the purpose of saving but prudence and patience it develops in people for subsequent expansion.

This is illustrated by the following growth of Takeda Chobei Shoten, which was renamed Takeda Pharmaceutical Company Limited in 1943. As stipulated in the family precepts, Chobei, the fifth family head, established *Kyou Shooku* as a public business. (*Kyou* means the rain that benefits *Kyorin*. (*Kyorin* means apricot forest and implies also the medical world.) And *Shooku* means a library. *Kyou Shooku* is a huge collection of Japanese and Chinese medical and pharmaceutical books and manuals on herbal medicine.)

The entire collection was donated to the Takeda Science Foundation. It is currently open to the public and is situated within the premises of the Takeda factory in Osaka. It includes several precious books equivalent to national treasures or important cultural assets. Looking at these books and materials, I realized anew that those who are more or less conscious of the public can influence people for a longer time. You can sustain your business as long as you make a public contribution. I think Mr. Takeda took into account the power of making a public contribution when he set the corporate philosophy, “We strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products” as he mulled over the family precepts. This story conveys many things that sustain a business—the importance of facing difficulty to stay on course with dignity, to understand self-change as the beginning of making

radical transformations possible, the place frugality has in shaping one's understanding and prepare one for subsequent expanse. Finally it tells about Leadership that moves through the family tradition 'institutionalizes' behavior and codifies and symbolizes like a baton handing the legacies from generation to generation.

Sankogan Honten (Medicine Manufacturer and Seller, Nara Prefecture)—The Unavoidable Fair Trading Method

Here is another instance of Sankogan Honten, a manufacturer and seller of digestive medicine who has more than 400 year of history. This business stands for being fair in all their transactions. And to maintain this, they have found a way to be self-disciplined – sometimes severely, and this has impacted and transformed many of their trade associations, partners and even competitors!

The Japanese term *haichi baiyaku* refers to a business model in which a traveling medicine seller leaves a box of medicine at a customer's house and charges solely for the medicine consumed until the next visit. The author learned that there was a long-standing business in Nara prefecture that sells daily requirements such as digestive medicine in this manner.

The company is called Sankogan Honten. "Sankogan" is also the name of the medicine and it literally means three lights referring to the sun, the moon and the stars. Its trademark also features these three light sources. Sankogan has a long history. It is in fact said to date back to the period (1319-21) under the reign of Emperor Godaigo. According to legend, this drug already existed at that time under its old name of Shibiengan. The name was changed to Sankogan by Emperor Godaigo.

The Ochi family to which Godaigo belonged was a powerful clan with strong roots in this region and was exterminated due to the Provincial Wars (1467-1615). The Komeda family, which was an offshoot of the clan, survived and retained the formula for the medicine. Mr. Komeda Tokushichiro, the current president of the company, is a direct descendant. It is through the loyalty of the family and sense of identity that many such records have been preserved.

The ingredients of Sankogan are *semburi* (Japanese green gentian), *kanzo* (licorice), *obaku* (philodendron bark), *keihi* (cinnamon) and medicinal

carbon. Surprisingly, the simple mixture of these ingredients still has a place of honor among all digestive drugs. But behind the success of this medicine was not only the excellence of the formula but another factor that deserves mention. It has something to do with a community of vendors that evolved a special selling method.

In 1899, an organization was set up as a guild of medicinal dealers and manufacturers. Its name is Sankogan Domeikai (Sankogan Alliance). It was late in the Edo period, more precisely in the years of Bunsei (1818-30), that an extensive market of Sankogan was created by the *haichi baiyaku* method. Komeda Josuke, the then head of the business, himself traveled around selling the drug. He hired farmers from local villages as temporary hawkers during their off-seasons, rapidly expanding the Sankogan sales operation.

As the business expanded, competition intensified, and the medicine sellers were urged to maintain their credibility as dealers. To ensure this, Josuke took the initiative in drafting a set of rules (Pact of Dealers in the Country) for fellow traders in 1860. These rules stipulated strict weighing, a ban on unfair trading practices, the purchase of medicinal ingredients exclusive to fellow traders and a prohibition on making defamatory comments about other drugs and on price competition.

As implied by the title, this pact was effective only in the region and did not govern any trader based elsewhere.

Protocol for the Market Order

In 1866, Protocol of Rules for Fellow Traders was established. The protocol begins with an agreement on drug price increase in response to inflation. In those days, at the end of the Tokugawa shogunate, prices were climbing after the country had opened its doors to the outside world. Public resentment against this was one of the factors in the collapse of the feudal government. So this Protocol gains special importance. The subsequent articles provide for fair trading methods, reciprocal help and supervision. An excerpt with some of the provisions follows: 1. Do not deal with any illegal medicinal ingredient or any harmful drug. 2. Do not cause confusion by using different characters or writing styles for the same brand of drug. 3. Prepare drugs with great care, as they are meant to relieve people of disease and pain. 4. Refrain from giving discounts and from defaming others. If someone is misguided, correct him using actual evidence. 5. If any customer has drug boxes supplied from multiple dealers, do not speak

ill of other traders' drugs or boast about your own. 6. Do not pull out any empty drug bag supplied by any other trader and replace it with your own drug bag. Actually, what was happening was that these rules gradually evolved the movement of fair trading.

Interestingly, there were other rules typically about the behavior and conduct of traveling medicinal sellers showing how important and detailed was the effort on building credibility, especially as this was a medicinal product. So, there were some additions: 1. If you find anyone who is drunk or gambling during a trip, advise him not to. If he does not accept your advice, deprive him of his notes and luggage and send him back to his hometown. 2. If you learn at a hostel that there is any trader who has suddenly died or fallen ill somewhere around you, hasten to his location and take care of him. 3. When staying overnight at a regular hostel, always use the same room in principle.

Finally, the articles stipulated that a general assembly of fellow traders was to be held at least once a year, that absentees from the assembly must bear some cost on a per capita basis and that anyone who violates the agreement must pay a further cost of a crackdown on the violation. This is how a dealer or seller had to accept the consequence of wrong doing, thus introducing the present day concept of accountability for fair trade practice.

The Sankogan business subsequently operated under these arrangements among fellow sellers. However, it ran into difficulties following the Meiji Restoration. As Japan was beginning to westernize, the government authorized and considered Japanese and Chinese medicines as "ineffective" and adopted a negative position towards them. People stopped paying heed to them.

The business had to face a new challenge. Founded on the initiative of Komeda Torayoshi, the alliance triggered a revival in the business with Sankogan. The foundation of the guild was based on the accumulation of past agreements among fellow traders, but it made some fundamental changes: 1. In the new franchise system each itinerant dealer was assigned an exclusive area to avoid duplication. As a result every trademark was maintained and a certain level of profit was guaranteed. It also successfully created a situation in which there was no customer with more than one drug box and no unhealthy competition. 2. Reciprocal supervision was introduced to check if any other Alliance member had been unethical. It was stipulated that any member in violation of the rules should be expelled.

As Sankogan was no longer supplied to expelled traders, expulsion from the Alliance meant expulsion from this industry! As a result of this strict regulation, the quality of traders improved and they won the trust of the public. 3. Traveling dealers were obliged to deal in cash and prohibited from returning any product they had obtained. They had to purchase a quantity of Sankogan at their individual discretion and pay the price they themselves had calculated to the manufacturers.

Their spirit was maintained by making them responsible for their own decisions. Mr. Komeda, the current president, explains: “These arrangements would today be taken for granted but at that time they were revolutionary. Take the cash transactions for example. In the past, it was common practice for payments to be made twice a year, in mid-summer and at the end of the year. Business practices were quite slack. For instance, it was permissible to make payments whenever convenient.”

“At Sankogan, with cash transactions, we paid the 60-day interest at the daily rate of four sen (0.04 yen) to every 100 yen, or in other words at an annual rate of 14.6 percent, to itinerant traders but if their payments were in arrears, they had to pay the interest at the same rate.

“It was in fact a very strict rule in those days. But because they followed this rule, they understood the challenges of business and learned what interest was all about. Under this regulation, they learned to think on their own by carefully considering different factors to purchase the necessary minimum quantity. This is how they developed into effective itinerant salespeople.”

“With respect to credibility, Torayoshi directed them to choose accommodation at a fine hotel rather than at a cheap one. He must have thought that this would serve to maintain the dignity of vendors and that this dignity would encourage people to trust them.

“And I hear that he invited carefully selected people to join in developing provisions in the protocol in consideration of these strict rules.”

Mr. Komeda’s explanation demonstrates that the basics of business have remained the same through the ages. These basics include a fair profit, honesty, ethics, trust and self-responsibility. It is these principles that have sustained the Alliance for over a century.

Mr. Komeda continues: “What was devised 100 years ago is still largely valid today. I think that Torayoshi was a great man since he devised it and stuck to it.

“But naturally, we cannot continue our business in the same manner in the future. It is time to put an end to the practices of past hundred years and to revamp our business. I must come up with a new approach that will last for the next hundred years... to make ourselves both an old and a new company.”

This remark reflects the high standard Mr. Komeda sets for himself. This brought in more discipline, credibility and fair practice. Public perception changed quickly to the positive. It is said that a free market enforces the company's discipline. True, but I think what is learnt here is that it might be more sustaining for the company to have self-discipline. Sankogan's case is a good example where only leadership driven by clear values on fair trade could overcome the difficulties they were facing.

Fukuda Metal Foil and Powder (Kyoto)—Know Your Limitation

In the case of Fukuda Metal Foil and Powder, 300-year old company, now manufacturing copper foil used on print distribution boards and metal powder used in IC packages one core value they believed “Know your limitations”. This precept admonishes the risk of being over confident or hasty, avoided many pitfalls resulting from being haughty and over estimate gains to the top management vulnerable to and always ready to give in to a ‘rosy picture’ !!

In the Edo period, *haikai*, Japanese short poetry, was very popular form of entertainment, and many *haikai-shi* (the authors of *haikai*) in those days were favourites, like popular writers. Among them, Fukuda Benseki is believed to be the founder of Fukuda Metal Foil and Powder, which is a general manufacturer of copper foil used on print distribution boards, the metal powder used in IC packages and other products. The company is presently located in Yamashina Ward, Kyoto.

Benseki, in addition to being *haikai-shi*, ran a business under the name of IZUTSUYA in metal powder and foil. According to the records, the metal business was founded in 1700.

Back then, gold and silver foil and powder were used for arts and crafts, including folding screens and lacquer works, gold and silver thread, Buddhist altars and their fittings, as well as medicine. It is true that gold foil is generously used, for example, in *Kakitsubata-zu*

*byobu*³ by Ogata Korin (1658- 1716). It is not hard to imagine that there was great demand for gold and silver foil and powder in those days.

This Izutsuya, however, was a kind of wholesaler and it was not the case that Benseki himself pounded and spread gold to make gold foil.

He lived for 80 years, i.e., till 1728, and the business was taken over by his grandson, Renseki, representing the second generation. Renseki is believed to have pursued *haikai* as well, but today he is better known for having bequeathed the Fukuda family a set of precepts called *Ie no Nae* (a family seedling), rather than his *haikai*.

Patience is the Most Important Virtue in the Family Business

This story tells us the importance of patience as an important virtue in a typical family business. *Ie no Nae* was written in 1775, when Renseki was 73 years old, and it is divided into parts such as “Rules for Annual Events Observed for Three Generations of the Fukuda Family,” “Three Worldly Teachings of Japan and China,” and “How to Deal with the Rabble (Tangibles and the Perfect Serenity of Mind)”. Such was their legacy!

In Benseki’s days, society was opening up and the Genroku culture had a sense of being carefree. But on the other hand, you get the impression that in Renseki’s days people felt somewhat insecure about the future. They appear to have built a wall around themselves and were withdrawn for a long time. *Ie no Nae* also represented these trends and is characterized by the phrase, “patience is the most important virtue in a family business.” I will try to select some precepts from this collection.

At one level, “the essence of life is not about living by yourself or relying upon others (or salvation through faith), but rather living each and every moment of your life as fully as one can. After all, neither merchants nor farmers can fulfill their duties without it.” The precept instructs you to be persistent and to live a steady life in this way shows that he was influenced by the dualist philosophy called Sekimen Shingaku expanded by Ishida Baigan⁴.

³ *Kakitsubata-zu byobu* is Ireses, from a scene of the *Tale of Ise* is a drawn on folding screens, Nezu Institute of Fine Arts in Minato Ward, Tokyo.

⁴ Ishida Baigan(1685-1744) is Japanese scholar who launched the moral-education movement called *Shingaku* (“Heart learning”), which sought to popularize ethics among the common people. Ishida taught morality to merchants of the prosperous Kyoho era (1716-1736), who were raking in huge profits.

“Do not join in a society of Shintoism and Buddhism or *tanomoshi-ko* (a kind of mutual benefit society). I disregarded the teachings of my ancestors and lost a lot of money. If you must, just keep them company at the beginning only and excuse yourself afterwards.”

It warns against becoming the main figure at a shrine or temple or joining something like *tanomoshiko*, because it will be a drain on your purse. It instructs you to keep company if you feel obligated but do so only in the beginning, but never to get deeply involved. It is interesting that he openly confessed to his having disregarded the teachings of his ancestors and lost money.

At another level, a precept conveys that a businessman must be extremely careful in controlling credit and that one should give up before one get seriously wounded. This is also the wisdom that Renseki acquired through his years of experience. “A merchant needs to be careful about selling on credit. Even if you end up losing some, it is important to give up on those who won’t pay. I have learned this over 50 years.”

This story is about knowing your limitations. Like Renseki, many of those who left family precepts or a family constitution behind wrote them because they were driven by the compelling feelings in which they wished to pass on to their descendants the wisdom they had acquired from their own experiences. In reading these, we cannot help but feel that these wishes strike home, even though we are not their direct descendants.

Then, how does a direct descendant feel? I interviewed Mr. Fukuda Takeshi, president of Fukuda Metal Foil and Powder Co., Ltd. He says, “Among the precepts, the one I pay the most attention to is “*mi-no-hodo*,” that is, to know my limitations. A company is subject to a range of forces, including the forces of capital, technology, sales and so on, but it is dangerous if you overestimate them. I always think about expanding within my reach. Business is inseparable from failure, but a devastating failure would ruin a company. This happens when you do not know your limitations. Of course, knowing your limitations is never an easy thing to accomplish. Especially in a changing world, it is quite difficult to go against such exhortations as “Make sure you keep up with the times,” or “This is today’s trend.” May be in present day parlance it may conflict with the passion for unlimited growth.

When, for example, a competitor is in the spotlight, swimming with the tide—it is easy to understand how a company may be tempted to

move in the same direction as its competitor. So, how does one identify a point to stop and say that this is the “limitation” of Fukuda Metal Foil and Powder?

“Our strength lies, above all, in our experience in dealing in metal foil and powder over many years. Our engineers and employees are skilled in manufacturing these products. So, I think it is dangerous to be engaged in something that is too unrelated to the area in which we can make use of this strength of ours.” They were prudent in understanding their strengths and knowing their limits!

Like other companies, this company was also struck by bankruptcy of the main business partners of violent fluctuation of prices and so forth. The different point, however, is that he has his own field and he has a clear principle not to go beyond his limitations.

The point, I think, Mr. Fukuda is making is the importance of looking at things from the standpoint of the *person* in charge, be it foil or powder. It means that you have to think how to make things easy, say work on issues like how to carry materials or products. For example, let’s assume that copper foil used for the print distribution board can technically be made half as thick as the current one. The challenge is to see how it can be modified without being wrinkled? He says that is where the company can facilitate vertical innovation rather than stretch laterally in areas we are not sure.

“We still develop our company’s production equipment ourselves. Manufacturing companies like ours are gradually declining in number and many of the makers depend on outsourcing to engineering companies. That may reduce costs in the short run, but I think it comes with the risk of technology drain. The most important thing is that pleasure be derived from the process where engineers themselves create the design and manufacture the production equipment. Long ago, craftsmen used to invent their own tools and improved on them. I think that people who are engaged in manufacturing things must retain this kind of mindset, the attitude with which they find pleasure in doing that. Instead, if you simply compare the labor costs and decide to engage in outsourcing just because it is cheaper to do so, the level of technology will certainly deteriorate.” This passion for technology or work related subjects gave people immense sense of achievement. I sometimes think that this also takes them beyond grabbing immediate business gains and results.

I thought that the views that Japanese manufacturing companies hold today are summarized in what Mr. Fukuda said. Company managers who think only about quarterly earnings and stock prices, work at the headquarters and brag that they outsource everything to reduce costs and that they are the brains of the company—these people could be destroying their inert ability to make things by their own competence and means.

On the other hand, Mr. Fukuda's management style is more long term and surely requires patience. I presume that he sometimes looks back and wonders if he has done the right thing and that, at those times, he reads "*Te no Nae*" again and again, including the phrase, "patience is the most important virtue."

戦略

Principle 2

Long Term Viewpoint and Strategic Approach

The second principle enshrines the peculiarity and uniqueness of the Japanese approach. It is about far sightedness and a vision of the long term that secures the future! It is about looking ahead and anticipating the consequences of present actions. It is also about having the capacity to comprehend, include and achieve something beyond the bottom line—something meaningful and ultimately worthwhile. This perhaps comes from the way Japanese people look at their own lives in a more meaningful way. To look for a higher purpose is deeply rooted in our mind and it is something everyone here is unconsciously practicing everyday through action. In business, perhaps this embodies a process of developing aspirations for life and structures of higher level in some cases and seems to be what is referred to in our times as a strategic approach.



This is more evident in some long-lived companies as businesses remain closely latched on to the broader issues and destinies of their people and their long histories. Many businesses served the interests of the nations in times of troubles during the wars. Others served in different capacities and forms of reaching out. Therefore, it is natural that for sightedness helped businesses and communities to embark on a more continuous journey, achieving something greater while also making the money to survive and grow. The Japanese attitude of looking beyond contributes in a more holistic way and in some cases it was seen a bit designed methodically or strategically.

It also brings another useful insight. Even small businessmen are noble and think of a greater purpose for their businesses, customers, employees and people.

Hayami Forest (Mie Prefecture)—Beautiful Mountain that Generates Profits

Hayami Forest established in 1790 manages forestry in region where the rainfall exceeds 4000 millimeters. While biodiversity is well acknowledged as a critical part of sustainability, most efforts where business has worked on it were either someone's fancy or perhaps a business need. This case shows how a whole enterprise was built around this requirement as a social or environmental objective. There is no other industry except forestry here. It demands a long-term viewpoint since biodiversity management is a long development cycle. It takes at least twenty-five years to show primary results and anywhere between fifty to even a hundred years in some cases to go from a sapling to become a value commodity. In these conditions, Hayami family has survived with long view point and consistently used it as a different way or strategy. That is to say each generation of this family has adopted new technologies much faster than their partners but maintained some basic goals in the long term.

Beautiful Mountains also Generated Profits and Livelihoods for Generations

I am in the woods. They are not very dense, but the air is fresh and lovely. The Owase region in the southern part of Mie prefecture boasts of its forestry. The average annual temperature is about fifteen degrees centigrade and the rainfall exceeds 4000 millimeters. The climate with its heavy rainfall is ideal for vegetation. I visited the Hayami Forest which has attracted national attention because of its forestry industry that aims to function in harmony with the environment. The Hayami family originates from Arima in Kumano-shi, Mie and Hayami Forest was founded in 1790. Since then the family has passed on this legacy generations on to Hayami Tsutomu, the eighth head of the family who is now grooming his son Hayami Toru.

The Otaga Mountains, one of the mountains owned by Mr. Hayami occupies approximately 190 hectares, and most of the trees are *hinoki* or Japanese cypress. The flora varies from saplings of a few days to over to trees of 100 years.

I walked a long way by a mountain stream that led from a work hut in the mountains, and could see young trees planted neatly all around with nets placed around them to prevent the deer from feeding on them.

We then entered the deeper woods of cypress that were between forty and eighty years old and saw that they were all well managed with artificial pruning and supported when required to grow straight extending towards the sky.

It is brighter in the woods than I expected, and the sunshine illuminated the ground because trees are not planted densely on the mountains and are rather randomly thinned out. This is interspaced by broad-leaved trees in some parts of the mountains whose ferns grow densely at the base. The ferns are weeds that prevent runoff and retain water. Remnant ruts remain here and there between the weeds at the base of the trees and the mountain path. I was told that wild boars dig into the roots. When asked how one prevented wild boars and other stay animals, I was told that it is in fact the objective of the forests to encourage such wild life to make it more complete! The mountains that Mr. Hayami cultivates provide a habitat for many such wild animals.

While the mountains look beautiful they are costly in terms of management and lumber. Time is a critical factor, more so when timber prices have been falling.

The decline in timber prices was attributable to competition with imported wood and the decline in demand for timber materials made from Japanese cypress. The demand has been declining for several reasons. One reason is the increase in the number of houses constructed using industrial materials. The second has been due to the proliferation of the two-by-four technique in recent years. There has also been a sharp increase in timber imported from Northern Europe, as construction standards require greater accuracy for pillar materials. A third reason is the smaller disparity in the prices of domestic Japanese cypress timbers due to fewer Japanese-style rooms being constructed, even though the beautiful veins were highly regarded. Because of these adverse conditions, lumber companies manage to make a living by cutting down trees at the age of around eighty, despite the better preference not to cut them down at all.

Although he once thought of reducing costs by retrenching some of his twenty four employees, his father advised him to retain them and to believe that it would be meaningless unless he tries to achieve prosperity together with these employees. It seems that nothing compares to this business when it comes to the conflicts in making short term and long term decisions.

Always Try Something New

So, one has to try something new in order to preserve values. There is an axiom, *yama sanbu*, which means that, since early times, people in the forestry (*yama*) believed that the annual yield for their business would be three percent (*sanbu*). Given other things equal, the increase in profit should be modest, something like natural growth! Well, this is an insightful axiom.

However, if the economy grows or prices for forest products increase at five to seven percent, effectively it means negative growth. High economic growth lasting for a long time during the postwar period weighed on the forestry industry. The balance with the economy can be maintained to some extent if timber prices correlate with commodity prices. However, timber prices have been falling for many years. For example, the value of timber stumpage for Japanese cypress fell from 43,000 yen per cubic meter at the peak in 1980 to less than 20,000 yen in 2000.

In this condition, a timber company has no other practical alternative than to gradually use its reserves. Mr. Hayami has to cut down the 80 years old against his wishes. Imagine, trees planted eighty years ago almost when the eighth head of the Hayami family was born. It took so many decades to grow the product. Trees that are planted now will take that much more to create value.

When I heard the explanation amidst the beautiful woods and the fresh air, it was rather disheartening. Unbroken generations of the Hayami family from the father, son and grandson have been cultivating the mountain forests. Being brought up in this environment, it may be natural to see things from this mono perspective.

I then got to know that the tradition of this family is not to preserve old customs so strictly but rather be more flexible and try something new. Before meeting Mr. Hayami, I had asked questions in advance whether there was anything that resembled family precepts. I was told that there was no such a 'fixed' thing in the family. His father wanted to have some family precepts but also prohibit the family from being bound by them.

In their seventh generation, the Hayami family also engaged in fisheries and constructed western-style ships. The next head of the family just followed suit. He adopted other ideas, mechanized forestry operations and the developed of a dense network of forest roads and helped improve

operating efficiency in those days. Flexibility, reducing costs and diversification worked for the family!

However, retrospectively their heart was rooted in serving the people by growing forests. Diversification was still considered as stretching out to other businesses to protect the forest business when it faced some difficulty. Basic clarity was necessary to move people. The Hayami family took the 'strategic decision' to reiterate that its core business will always be forestry and will remain flexible to include some diversification so that the business survives turbulence in the markets. What is important is the diversification or flexibility is a natural alternative. However, in this case the 30 endorsement of the core objectives around which to be flexible maintained the family's original goal and restored the bond with the Hayami's traditional legacy. It was therefore decided the Hayami Forestry will become a member of the larger global effort on creation of natural wealth.

One of the things the present family head, Mr. Hayami, focused on was the acquisition of an FSC Certificate for Forest Stewardship Council, an international organization to promote responsible management of global forests. In February 2000, Hayami Forest was authorized by the FSC which was for the first time in Japan. Hayami Forest had to establish environment policies and that gave a formal shape to their passion and generations of endeavor. They begin with the preface, "The aim of Hayami Forest is a commitment to contribute to the global environment to support humanity and the stability of local communities by maintaining a rich forest environment through forest management based on the basic plan." Also, the environment policies are divided into three sections, namely, the basic principles, specific examples and environmental management in each operation. I was very impressed to know that a single company has established action guidelines that pay such a high degree of attention to the environment.

This policy is detailed into actions and stipulated precautions that include the conservation of biodiversity, the efficient use of land, the efficient use of timber, preservation of the health of the forest to prevent soil erosion, the handling of chemical agents, the response to damage to the forest, the prior assessment of business in the forest and the use of forest by parties other than those connected to Hayami Forest.

With respect to the conservation of biodiversity, the environmental policies stipulate the maintenance of different types of trees to form several layers in the forest and promote vegetation in the lower layers. The policies discuss the need for coexistence with wild animals, conserving the diversity of aquatic organisms by preventing water pollution in the mountain streams, using chemical agents with little impact on the surrounding environment if they are used, and setting an area in which the original natural environment is reproduced on forest land. This is exemplary!

What the Hayami family experiment shows is that natural business instincts lead to diversification or use of alternate business processes to survive. But this should be done in a way that it feeds into protecting the original forestry operations. So, Forestry becomes the overarching goal supported by a set of possible income generating avenues to create the holistic business model ultimately dedicated to serve humanity! Perhaps some more alternatives could be carefully thought out like eco tourism to make social forestry even more profitable.

At the end we saw a forest consisting of 120 years old Japanese cypress trees located in the central part of the Ohtaga Mountains hailing grandeur par excellence. I understand his sentiments when Mr. Hayami finally said, "I want to be honest and also profitable, and through this work I don't have to cut down this natural capital of the world here in Otaga!"

Obusedo (Cake Maker, Nagano Prefecture)—To Think Long Term, Resist Chasing for Immediate Results

Obusedo was established in 1755 and is a famous Japanese sweet-maker and sake brewery. It is strange that in their years of existence, they were even entrusted with some important work of town planning based on their abilities, concepts and philosophy of developing neighborhoods and precincts. When you see how they linked an increasingly more beautiful and comfortable town with bigger amount of sales in their business it is a kind of strategy! This kind of 'doing good' is respectfully followed as a 'model' which their ancestors have already shown.

Obuse in the Shinshu area is known for chestnuts and is a flat table land located on the east bank of the Chikuma River where apple orchards, vineyards and vast fields growing chestnuts surround an old temple called Gansho-in at the base of the mountains. This has a long history dating

back to the Bunmei era (1469-1485). Sometime in 1842, Takai Kozana, a wealthy farmer and merchant in Obuse, invited Katsushika Hokusai a painter of famous “The Great Wave of Kanagawa” at that time. While there was flourishing trade in salt, tea, manufacture canola oil and brew Sake, this story is more about an ancient patronage from wealthy merchants in supporting work of art.

When I interviewed Mr. Ichimura Tsugio, the president of Masuichi-Ichimura Sake Brewery, which was founded in 1755, a descendant of Kozan, he compared the relationship between Hokusai and Kozan to that between Michelangelo and Lorenzo di Medici. The patron not only provided business and financial support but both parties together co-created something new. He thinks Kozan stimulated Hokusai’s creativity in some way that inspired the artist and also helped Kozan’s business. For the patron money was not the only way to motivate people. It is because there has to be respect for people and their sense of pride.

At that time, Japan had the Great Tenmei Famine. As one of the local wealthy people, Kozan magnanimously offered food. Interestingly, Kozan then converted his warehouses for the famine affected. It also provided temporary jobs for carpenters and builders. As a result, incomes revived anybody’s pride and well being.

Without Chasing Immediate Results

These places were maintained for many years and even today the area surrounding Tenmei Warehouse enjoys a beautifully integrated and harmonious landscape. The area consists of the Takai Kozan Memorial Hall with the head office of Obusedo. This is where they make sweets and Sake Brewery. In order to maintain the traditions of patronizing art, Obusedo deployed a lot of money to landscape the whole area and expanded it gradually precinct by precinct. Over the years a new town was born!

Mr. Ichimura Tsugio felt that the word “landscaping” sounds too serious. So, he came up with a new expression and called it ‘tasteful space’ and I want to create something that appeals to people’s five senses. For this purpose, he organized cultural activities and events promoting art and culture. Why do they do all this? It is to make people know our company contributed to the activity of the town for their pleasure. It is such a simple intention. In a broader context it faintly reflects the tradition of how wealthy merchants patronized different forms of culture.

However, this kind of support came from the love these merchants had for art. It was different from other sophisticated ideas like modern day philanthropy. Of course, Kozan did not initially anticipate or design this outcome. He invested a lot of resources because the satisfaction people got was enough, without expecting a return. As a consequence, this had a positive effect on his decedents. I am not able to say how these causes and effects are linked together.

It is said that the age of manufacture and material gains will sideline culture. So, I believe that an example like Obuse shows that there is a way to include and integrate material growth while enhancing traditions. But we should be aware that it is impossible to evaluate the gains of activities in a short timeframe. Ultimately the Obuse business not just grew but created decades of reputation that helped many generations to hold the loyalty of customers and people at large. To this, Mr. Ichimura said something rather insightful: Japan had lost many things during war, and one of them was a longterm perspective. We have gradually acquired the habit of focusing only on a short-term view like pricing in markets or evaluating corporate managers and squeezing employees.

The town planning initiative in Obuse started in 1966 when his father served as the town mayor that nearly helped Obuse to serve people for nearly forty years. He thinks the implementation of town planning has been quite successful because they figured out ideas on how to make gradual and incremental progress without expecting immediate results. Now he carries a moral stature, and 'his words apply to everything, not just town planning'.

All I can say is that it is time for large corporations to think about their intensions while sponsoring or maintaining gardens, parks or stadiums. It is also time to think for smaller or not so small enterprises the way one can begin to make the difference starting with neighborhoods whose growth is like the wind in their businesses' sails!

Kakiemon-Gama (Ceramic Artists, Saga Prefecture)—Can Business Survive where People Need 30 Years of Training?

This is a case with some insights rather than a story. It is about the famous Japanese porcelain maker Kakiemon-Gama established more than 350 years

ago and known for a rare sense of perfection that comes from investing long years of training its potters. Japanese are known for showing immense respect for people and they invest generously in people to develop their fullest capacity. According to the head of Kakiemon-Gama, it takes a bit too long – some 30 odd years to become an expert pottery painter. But today there may be a concern when a number of employers and painters resist spending so much time. This may adversely impact a national talent – and business has a responsibility to preserve it! Is it happening also in other societies that are grappling with the problems of devising a sustainable business-model for preserving and cultivating ancient art and craft?

It is believed that the name Kakiemon came from the fact that the first person to go by that name succeeded in enameling the color of persimmon on a white porcelain background. This first Kakiemon lived from 1596 to 1666 in the early Edo period and his success with the red-colored enamel is believed to have been around 1643.

The raw material for red paint used for the persimmon red was a type of iron oxide. The process for getting the color shade is very traditional and painful. On the other hand, industrial products having high levels of purity make beautiful colors. It is simpler to get the shades but they say such paints lack the depth! It is the same with green rust and other materials. Green rust is formed when copper is oxidized. Copper takes years on to get the perfect shades of green. So much effort goes into finding old copper boards, wires, or kettles. They are left in humid places and tempered with chemicals to make green rust. This is strange but true: It is said that because of the impurities the color becomes even more tasteful! This is true of raw materials and many other items required for hand created pottery. It is another painstaking effort to create the typical milky white color. In all, traditionally when it began, the unique Kakiemon style pottery was a rigorous process of certain prescription.

The other aspect of this product is the aesthetic sense of the Japanese artists. It is not about making pretty, stylish and reasonable things. It is about the beauty that exists in a world different from other known things! They wanted to allow people to touch high levels of perfection, feel the tastefulness of the clay, the profundity of the paint and the technique in using the lathe.

It was not until the political chaos in China from the end of Ming dynasty to the beginning of Qing dynasty that the importance of the porcelain made

here began to increase, with Kakiemon heading the list. During the chaos in China, kilns in Jingdezhen and Zhangzhou were damaged, leading to a sharp decline in the production of porcelain. To replace it, Hizen porcelain was exported first to Southeast Asia and then to Europe. This was the late 17th century. At the end of the 17th century, exports of porcelain from China resumed and Hizen porcelain ended up relinquishing the Southeast Asian market. However, it gained an unshakable reputation in the European market and the export continued in large volumes.

The Value of Something National

Another interesting point is the reason why the Kakiemon style became especially acclaimed in Europe. In the early days, Chinese phoenix and birds and flowers in Chinese style were the dominant designs and motifs, but from around the time of the fourth generation in Enpou years (1673-1681), Japanese-style designs had taken hold. One still sees these designs including deer and scarlet-tinged leaves; plovers; and pine, bamboo and plum. One of those I talked with a painter who represented post-war Japan, Mr. Imai Toshimitsu (1928-2002). He used to say how this art form was national in character and internationally acclaimed.

Imagine the Kakiemon masters used to train artists and producers of this make with time tested methods. I was told that: “Since the Genroku era (1688-1704) it is known that it takes thirty years to be regarded as *rokuro-shi* (an expert in using a lathe) or *e-shi* (expert painter). It is important that you promote your own individuality when you are in your forties. So this is not for someone who is clever with his or her hands because that kind of person does his or her job before he or she starts to learn it.” And that may sound something like painting and music to foreigners.

At the Kakiemon’s studio some people are so absorbed in their work and intently turning lathes while others are drawing lines a lot finer than a millimeter with brushes. Everybody remains sitting in his own place all day, silently continuing with the routine. The atmosphere in the workplace reminds me of a monastery. It is probably because everybody is focusing their attention on what they are doing.

At the end of my interview here I cannot quite sort out the confusion the traditional process of people development is facing when today’s youngsters do not have so much patience. It is said that people who are dedicated to the work as serious craftsmen is steadily decreasing in numbers.

In this trip I learnt from several people how difficult it is for traditional crafts to survive. Despite being anguished and challenged, each of them somehow manages to solve immediate problems that include the procurement of raw materials, making of tools, handing over of skills. The most troublesome is the search for a successor.

Having said that, and come to really think of it, isn't it true that the decline of Japanese traditional craft signifies the collapse of the Japanese aesthetics and this is because of the changing attitudes of people? Once again this shows how important people are and that they have to be developed. This needs money, time and great patience. Business has a new responsibility—to look for long term and time taking principles to save true national characteristics in arts and handicrafts. This may be also true for other societies!

Hachimonjiya (Book Seller, Yamagata Prefecture)— A Success with a Foresight

Someone who insisted the necessity of long-term view point in business context is Mr. Igarashi, the patron of Hachimonjiya bookstore, having a history more than 300 years. By his words, books are the same as meal. "Just as your body is made up of what you eat, your mind is constituted by what you read in books". It means that people need good material to enrich. And so you need a great staff with talent to comprehend that hunger and feed them with the best. So this story is aptly reflecting the Principle about how a long term view in business is critical.

About 300 years ago, Mogami region was known for its select and colorful community. A wellknown traveler, Matsuo Basho, described it in 1689 as "rich but good hearted" in his travelogue Okuno Honomichi.

Early records show that the ancestors of the Hachimonjiya Igarashi family which now runs bookstores in Yamagata, used to run a cargo using water transportation of Mogami River wholesaling business as well as a general store just around that time in the Genroku era (1688-1704). The wholesaling business handled safflowers, *washi* (handmade Japanese paper), *ao-o* (a perennial of the nettle family used to make cloth) and lacquer.

In the later years, farmers, brokers, cargo wholesalers and the feudal lords benefited from the profit generated by their goods that were supposed

to be of good quality. After off-loading the dried safflowers, the boat would return carrying clothing, including kimono, cotton cloth and ginned cotton; foodstuffs including sugar, which was a valuable commodity at that time; salt and marine products, which were necessities; and general products including decorative items. Some boats carried books as well. It is presumed that books business could have been made sometime during this period in the Genroku era (1688-1704) especially in Kyoto in Japan. As the Shogunate's policy of governing through law and reason rather than military might took hold, the economy developed and the standard of living improved, leading to the creation of an extensive readership.

It seems that bestsellers in those days were *ukiyo-zoshi* (genre stories) represented by *koshoku-bon* (fiction dealing with amorous adventures) by Ihara Saikaku (1642-1693); secondly, *chohoki-mono* or how-to books and third, *haikai* books.

These books were naturally read by the intelligentsia, high-ranking warriors, priests, rich merchants and wealthy farmers. These were the people who accommodated Basho or attended sessions with him during which they composed while he was traveling in Yamagata.

It is believed that in the Igarashi family, which ran a cargo wholesaling business, the second generation Tarobei started a rental book business using the *ukiyo-zoshi* books they had bought from Kamigata. It was probably a hit. The years came and went and the Igarashi family became known as Hachimonjiya.

This is the general history of book publishing and the Hachimonjiya family. The Hachimonjiya bookstore is located in Yamagata City and was established here 35 years ago. Typically, the bookstore like any Japanese business is passionate about the wishes of the former family head and it is embodied in explicit terms. In this case it is about bookstores are where culture is dispensed and not just where books are sold. The idea perhaps is to provide a space where customers can at first relax and spend some time free of pressure and really contemplate on their book purchases. True to the Japanese, the customer came first.

Books are the Same as Meals

Next, Mr. Igarashi emphasized the importance of winning the support of the local community. "I think retailers like us must be respected and recognized. In the information industry, to which bookstores belong, it is

especially important to understand as quickly as possible the products and information and for that we need the support of different agencies and suppliers who help us see more of the world and become sensitive to new needs.”

In those days, when there was no television or telephone, leave alone the Internet, *Hachimonjiya-bon* strived to connect with people through various sources to look for the latest in literature so that the people longing for it in Yamagata must have them. To make them available to most people the practice of lending books was introduced for the first time. Hachimonjiya was at its prime during the Kyoho years (1716-1736) and the Igarashi family continued to run the rental bookstore.

Mr. Igarashi says, “I keep saying that books are the same as meals. Just as your body is made up of what you eat, your mind is constituted by what you read in books. Your view of the world or your life is based on what books you read. Even business managers like us, not to mention those who are involved in state politics, do not think of things on a long-term basis to anticipate the world several years from now. It is so sad that they can only look at things on a short-term basis.”

The other important thing Mr. Igarashi considers important is about training the staff. His successor aspired to become Formula-1 racer. Mr. Igarashi let him go. If his son became a top racer, of course he had to give up his succession plan. And if not, he would be carrying that passion and exciting all readers who loved racing. This way he trained several of his staff in which ever field they were interested and recruited later those who had some talent or taste in culture, art, and anything in life. “I tell the company employees to become artists. An artist at a bookstore is a creator and well versed in books about art and literature, education, sports or other genres. Our employees are people who chose to join a bookstore, which means they love books in the first place and are well-read. This was Mr. Igarashi’s unique approach where he talked much about the importance of making full use of people’s abilities and also to bring out each employee’s wisdom and utilize it for the good of the business and its reputation. I wonder how many book-keepers think this way!



Principle 3

The Importance of People and Human Merit System

The third principle is to respect and value people. While business is certainly about making money, it is even more about having good people to run them!! So it is about maximizing the potential of human resources and its contribution to development. Companies will be able to achieve a more sustained form and continuous success if they underline their commitment to education, skill building and holistic development of their employees. In addition, enlightened businessmen truly acknowledge individual identity in the bigger process of generating teams at work. The whole idea is about putting people first.



Toraya (Cake maker, Tokyo)-Having the Employees Feel Satisfied

In Toraya, the prestigious Japanese cake maker who has about 500 years of history, attaches uncompromising importance to the education of employees and their self-development. Taking these profound ideas simple things are systematically done with intense conviction. To deploy this precept in the Edo era it was emphasized in print by declaring that the organization will educate employees and whoever gives good results shall be rewarded with special prizes. This spirit is shared even today by their present CEO who continues to emphasize to have the employees feel the deeper satisfaction that they have joined to his company. In fact this is celebrated as a company's aspiration!

The Honor and Pride of the Purveyor to the Imperial Palace

In Japan, we have long-lived Royal Family, the longest all over the world. The Imperial Family had lost its absolute power in old ages. The Imperial Family has been a centre for the integration, ritual, authority and culture in Japan.

For a merchant of daily products, it is a very prestigious status to become a purveyor to the Imperial Palace. The case of Toraya, Japanese cake maker, became known and served as purveyor for the longest term.

According to the legend, the founding of Toraya dates back to the Nara period (710–794), around which time it started to serve as a purveyor to the Imperial Palace. It later moved to Kyoto. Currently Toraya's Ichijo shop is also situated in Kyoto, adjacent to the Kyoto Imperial Palace.

Not all of Toraya's activities from the ancient times to the beginning of early modern times are clear, but it is certain that it again was appointed as a purveyor to the Imperial Palace in the closing years of the age of the Provincial Wars. Toraya itself decided this date in the 6th year of Daiei period (1526).

As is more or less the case with Toraya's *wagashi* (*wa* = Japan, *gashi* = cake) today, it was mainly presented as a gift then as well. Concerning purveying to the Imperial Palace, it was not that the Imperial family ate so many sweets. In most cases, I assume that the purveyed *wagashi* was served at Court ceremonies or banquets, or given away as souvenirs.

The status of a purveyor to the Imperial Palace was not accompanied by any kind of privilege. Toraya was awarded the government post of

Oomi *daijo* by the Court but it was what is called an honorary post and nothing like receiving a fief in Oomi (presently Shiga Prefecture). Toraya, however, treasured the honor and changed its name to Toraya Oomi.

Such were the circumstances surrounding a purveyor to the Imperial Palace, but each generation of the head of Toraya prided himself on being one, and made it a rule to continue the family business in a manner that was true to the name – a precept that is highly held in the company.

It is because Toraya has a long history and tradition it serves as a key driver to lead with a sense of mission. However, it is easy to understand that completing the mission is never simple. The current head, Mr. Kurokawa Mitsuhiro says, “I think tradition comes from constant change. It is important to keep what good tradition we have, but on the other hand, it is also necessary to inspire something new from a fresh point of view, isn’t it? It is important that this is not mere words, but converted into actual practice, and to continue to change it, I think, to protect the core tradition.”

Corporate executives like him must feel most acutely how difficult it is to pass on the family business and techniques for hundreds of years in a society that is constantly transforming itself. It appears to be an oxymoron, but I feel that the essence of a long-enduring corporation is to maintain the tradition while at the same time being detached from it!

At Toraya, the Customer Comes First

At Toraya, *okite-gaki* or a list of precepts is handed down. There are records put down by the ninth Mitsutoshi in 1805, and according to the record, it is the original written during the Tensho years (1573–1592). Enchu, considered the restorer of present Toraya, was the head during those years, so I assume that the original was written by him. ‘Every morning at *mitsudoki* (six o’clock) arrange the storefront and do the cleaning. Frugality is important, and to be consistent for encouraging new ideas and implementing them, each person is encouraged to offer ideas in writing.’ It says something about respectfully welcoming the customer, touches upon frugality, and reminds employees about given written suggestions so that work constantly improves.

The second is a rule is a call for personal hygiene specifically for the purveying confectioner. “When purveying to the Imperial Palace, everyone must always be careful about sanitation and not just do something because

it is just a job. Each person will be protected by doing it. Be sure to be clean - wash your mouth and hands and do not be duplicitous about it. Make sure you stay clean every day.” This also followed by instructions on clean sanitation to be implemented with the greatest possible care at a food manufacturing company.

The third article is “In calling on our clients, including the Imperial Palace needless to say, do not stay long talking. Pay respect to them and leave as soon as you take the order.” It warns against succumbing to temptation and occasionally disregarding the rules. If this sort of thing is not adhered to, the company rules become lax and it warns against it.

In the fourth article Mr. Kurokawa says it stresses on being customer-oriented. “In servicing our clients in town, be sure to always cooperate with each other so that no customer is left unattended or treated impolitely, if a visiting customer makes enquires, you must satisfy them fully.” It goes without saying that the quality and the price must satisfy the customers. For the customers to have a pleasant shopping experience at the store, it is important that the workers are careful and volunteer help when asked.

At Toraya we create an environment to raise the morale of the employees. The other point that Mr. Kurokawa emphasizes is having the employees feel satisfied that they have joined Toraya, ensuring that they lead a happy life at the company and that stay with it as long as possible. For them to work comfortably, the company made arrangements for better intercommunications. It further gave some freedom to them. “When it comes to work, each person should be encouraged to do what he or she is good at. The senior workers must teach the junior workers. If an employee finds a mistake made by a senior employee, he must not hesitate to cooperate. Make sure to always maintain close friendship at work.”

There are early records to indicate a formal mention of some procedures at work. There is a reference to encourage working hard for ones benefits and future as well. ‘All *tedai* and *kodomo* (*decchi* or apprentices) must always work hard at writing and arithmetic. Without this practice, you will do well in the future or promoted to manager or *banto*’. If a worker cannot write or use an abacus, he will not be able to do anything towards achieving his desire to becoming independent and owning his own store.

And, lastly, there is an explicit provision that says: ‘Whoever produced results will be rewarded with a special prize.’ The company has put down a number of ways to train employees within the company, cultivate their

abilities and reward those who produce an outcome—these initiatives will make the employees feel happy about having joined the company.

‘Without the happiness of employees, there is no happiness of the company’ is a golden rule of business. All this is like the rules of *okite-gaki* and have become Mr. Kurokawa’s flesh and blood. At Toraya today, he says that this *okite-gaki* is not put up on the wall of the store or the factory; nor is it distributed to the employees in a pamphlet or suchlike. However, Mr. Kurokawa embodies its spirit and says that is ultimately important.

Konishi Shuzo (Sake brewing, Hyogo Prefecture)— For Successful Entrepreneur Educating Employees is Important for its Own Sake

Konishi Shuzo, established in 1550, Japanese sake maker founded the school for education not only for employees but also the young people in that area. In this school, class are taught for graduation and holistic development with the objective to build capable people, whether they join the company or not. This is how corporations believe in creating human wealth.

Light, Elegant and Dry Sake has a Long 450-year History

Many people associate the word ‘*sake-dokoro*’ meaning the elite locale famous for its production such as Kyoto, Niigata, Akita, Hiroshima or other places. Today, thanks to the efforts made by sake breweries and those engaged in brewing of some excellent quality of Sake in different locations.

This company was founded in 1550 and is believed that an ancestor from Tango (now Kyoto) started the brewery along with a medicine trading business in Itami.

Listen to Konishi Shintaro, president of Konishi Shuzo, and one cannot help but think that the secret lies in the basics of business, which are as true today as they were at the foundation of the business.

It seems simple but the first important thing about this product is to have a clear focus on marketing and distribution. I met with Mr. Konishi at *Choju-gura*, literally a ‘longevity storehouse’. This was originally a sake storehouse built in the mid Edo period but has been renovated several times and is now a brewery restaurant where you can dine with sake and

Belgian beer! It was a Saturday evening, and the place was packed. Upstairs is a museum offering a history of Itam's sake and there is a prominent display of historic tools and implements of manufacturing.

Mr. Konishi says, 'I think we have to respect customers. They must know about the product and get it easily. So it helped us a lot to have focused also on marketing and distribution, not to mention quality. Since the mid Edo period, Edo had been a mass consumption area and the key was the speed with which we focused on that and took the right action.'

'My ancestors owned a store in Edo as early as 1688-1704 in the Genroku era. Sake in Itami and Ikeda, near Itami, was city-based and it prospered by controlling the Osaka and Kyoto markets in the vicinity. On the other hand, sake in Nada depended on farming villages. Rural districts were not penetrated by Sake and changes were made in reaching out to rural customers, thus showing a concern for this population.

The record shows that it was in 1694 that the Konishi family opened its Sake wholesale business in Edo Kayaba-cho now Nihonbashi-kayaba-cho, in Tokyo's Chuo Ward. Konishi's Sake had been shipped by boat since then. The firm probably consigned the sale to wholesalers, which were lined up along the riverbank. This is certainly one way, but if you aim to respond precisely to consumers' preference and further extend your market one must establish your own sales delivery mechanism, rather than leaving the matter to somebody else. This is as true today as it was in those times! There was the list of 55 Sake wholesalers in Edo in 1780. On the subject of distribution, Mr. Konishi says, "In addition, we were running *kaisen-donya* (a marine transport wholesaler). We had many fast boats and the fastest ones are said to have reached Edo in three to four days."

An important insight from records shows that they believed in nurturing culture as part of managing business well. The Konishi family, unlike other brewers in Itami, were in a position to support a number of activities in art and culture and also were in a position to give orders to distributors, going hand in hand.

The next important thing was to provide high-quality products while making efforts to charge a reasonable price, and zero in on consumers' demand and minimize distribution time and cost —things so basic to business which were true at any time.

Mr. Konishi described it as "*fueki ryukou*" — a concept of conflict in continuity and change, which refers to trends which are always not logical

or antithetical, but are both attributable to the truth inherent in subtle way. It shows that they also had dilemmas of short and long term goals and preferred to toe the way that gave customers ultimate satisfaction, and evolved ideas from employees and distributors to make sure that they got the maximum potential and solutions were more lasting.

Mr. Konishi explained that the refined atmosphere nurtured in Itami starting with Araki Murashige (1535-1586, who was the owner of Itami Arioka Castle) and the Konoos, head of five Sekke (families of highest ranks of the Emperor's court), produced many great calligraphers, encouraged scholarship; that the fourth generation Shin-uemon had friendly relations with not only Ueshima but also Matsuo Basho. Then the Konishi family played a leading role in establishing a training hall for both scholarship and martial arts. A *kendojo*, or what was to become known as Shubu-kan, a training hall for sword fighting, was established in 1786, and in 1838 a private school called Meirindo was opened. So, there are several cases in the long history where the business believed in training young people in different vocations and took some in the business and left others to build the society. So, Mr. Konishi concludes: 'Education, which really means developing skills, is the final task of a successful entrepreneur, I think. To focus on a classical education and build a character are important considerations.'

The Konishi family has not just been thinking about business. Or, I might say the reason why the Konishi family was enthusiastic to education is that they thought business as a human educational process and a process that should support creation of human capital for society all the time.

KIKKOMAN (Soy Sauce Maker, Chiba Prefecture)— Business is based on People

In Kikkoman, originally established 1661, the famous soy sauce maker in Japan and who sells products abroad too, the harmony of the people is so much emphasized. In the precepts of Kikkoman, it is said 'Business is based on people. Place the right person in the right place without involving personal feelings.' In this company, always people come first.

The Kikkoman Corporation is a well known brand in Japan and to the common people its recall not only reminds one of its products but more

so its reputation as one of the most venerable Japanese companies. Interestingly, the hexagonal logo represents a tortoise shell with the kanji character '*man*' meaning 'ten thousand' in the center. On closer study, the character can look like the made-up face of an ancient kabuki actor, yet the logo has not lost its freshness.

The Kikkoman brand originally belonged to the Mogi Saheiji family, one of the eight families of the clan, and has been used since 1820 in the late Edo period. The expression "eight families of the clan" refers to the fact that the leading brewers in Noda, were mutually related by marriage and incorporated to establish Kikkoman in 1917. When the families incorporated they decided to make *kikkoman* the main logo. Of the eight families, Takanashi Hyozaemon family is the oldest brewer and the foundation of its business dates back to 1661, in the early Edo period.

The Takanashi family was a *namushi*, leader of the village of Kami-hanawa in Shimousa-no-kuni (presently the city of Noda), which was a shogun's demesne. The family's residence, which has been handed down for generations, is now open to the public as Kami-hanawa Historic Museum.

As soon as I made my way out of *kabuki-mon* (the outer gate) after touring the residence the faint fragrance of soy sauce welcomes you. A walk along the back of the factory leads to the Edo River, the shipping route being one of the factors that helped Kikkoman grow in its early years.

Soy sauce is made mainly from soybeans, wheat and salt. The first two were largely produced in northern Chiba and Hitachi (presently Ibaragi). As for salt, the one produced on the coast of Seto Inland Sea (southern part of the main island, *Honshu*) was also used, but production took place in Gyotoku at the mouth of the Edo River. The ingredient grains were carried via Kasumigaura lake, pitching through the Tone River and down the Edo River, to Noda. The manufactured products were transported down the Edo River, along the Onaki River to the Ookawa, and then to Edo.

In the early Edo period, when the Takanashi family started as a soy sauce brewery, soy sauce made in the Kyoto-Osaka district was dominant in the Edo market. It was not until after the mid-18th century that it began to be driven out of the market. Also, the soy sauce production that had taken place in various locations of the Kanto district was now becoming concentrated in two locations—Noda and Choshi.

In Noda, *Tsukuri-joyu-nakama*, a guild of soy sauce manufacturers, was formed in 1781, and is believed to have negotiated with soy sauce wholesalers in Edo over prices or with local magistrates over the offering of money. In the last years of the Edo period, there was demand from soy sauce wholesalers for the development of a brand to be exclusively sold by each wholesaler; what would today be known as a “private brand.” Responding to this demand, each manufacturer altered the blending ratios of *moromi* or mash with different maturation periods. They were already engaged in a fierce struggle to develop products that met the demands of consumers and the market.

Through these efforts soy sauce made in Noda captured the Edo market. Production was dominated by the Takanashi-Mogi clan, which came to account for over eighty percent of the production in Noda. It was in 1917 that the clan incorporated and established Noda Shoyu Co., in a bid to streamline and modernize their manufacturing and sales. The company changed its name to its present identity - Kikkoman Shoyu Co., Ltd. in 1964, and to Kikkoman Corporation in 1980.

In more than eighty years since its foundation, the presidents of this company have all come from the same clan, bringing along with them their original legacy and traditions. The president is Mr. Mogi Yuzaburo, the tenth in these years.

Mr. Mogi has been in charge of Kikkoman’s overseas strategies since his youth and has authored books including *The Day Shoyu Appeared on the American Dining Table*, 1983. He is one of Japan’s leading corporate executives and has an international reputation playing a major role in the business community. As a result of the overseas travel Mr. Mogi has been a key driver and strategizes Kikkoman’s new initiatives in a wide range of foodstuffs. Given such an extensive business, there are many possible questions, but for this interview with Mr. Mogi at Kikkoman’s Tokyo Headquarters in Nishi-Shimbashi, Minato Ward, Tokyo, I focused on trying to discover how such a large company with its origins as a family firm still in evidence has maintained its unity as a clan and adhered to the economic principles passed on by the ancestors.

The Importance of *Kunji* Holds Good even in Our Day

The importance of *Kunji*, which means social responsibility, holds good even for today. Kikkoman Corporation has a set of *Kunji*, or precepts

since 1925. Apparently it is old-fashioned, yet the contents of these *Kunji*, which address the social responsibility of the company and the mindset of the employees as they go about their work, hold true even today.

Records reveal one such excerpt: “First, one who deems community life essential should believe that he or she shares the same interests as society and should do what is good for society. Ensure that one always makes the most of the time available to apply oneself totally ...and remember that each stroke in counting *moromi* or each count of a bead on an abacus, shall conduct with sincerity, reach out help and constantly increase people’s happiness and our production...”

And so it goes that the founders’ way of thinking expresses in some specific practices to show how the interests of society at large are consistent with those of individual employees and that diligent application to work will contribute to public wellbeing as well as productivity. According to Mr. Mogi, these *Kunji* were for many years read aloud on the anniversary of the company’s founding.

In addition to *Kunji*, the eight families also had something called *Kaken*. This was compiled when the families incorporated, and is a set of principles for the family members and employees to base their lives and work on, which had been passed down from generations through the Mogi and Takanashi families. It consists of 17 articles in total. Like the Constitution with 17 Articles by Prince Shotoku Taishi (574-622), it starts with article one which says, “Throughout the family, harmony is the greatest of virtues.” It is in the *Kaken* that I see the value of embodying philosophical and spiritual insights into work practice in the form of precepts.

For example, ‘Virtue comes first and fortune last,’ or take another, ‘Business is based on people. Place the right person in the right place without involving personal feelings’. Still another, ‘Benevolence is the source of truth and the mother of virtues’. Here is one that I like: ‘Competition enables progress but avoid unreasonable competition and look for mutual prosperity with others’. This is based on the value of co-creation of wealth. ‘Making no loss is the highest profit,’ and it further says: ‘Reduce personal spending and donate what you can afford to the public.’ This is a pointer to the belief that business co-creates wealth and so it is considered fair to give it back to the people from where it came. According to Mr. Mogi, this *Kaken* is customarily read aloud by the President at their annual gatherings in spring and autumn.

Mr. Mogi specifically emphasized that it is important for mothers to even educate their children from their early years to listen carefully to what the *Kaken* said. It states, “The education of children is a duty of the community and of the nation. Encourage them to acquire virtue, wisdom and physical strength, and discipline them both mentally and physically.”

Both *Kunji* and *Kaken* clearly suggest that the eight founders of the company believed that the purpose of their running a business was to help people to think about how to live better and to improve the quality of their lives based on what *they thought* was good for them. If someone asks me to summarize these two precepts, I would say without hesitation “people come first”.

Having said this it was also known that just reading *Kaken* aloud does not necessarily make everything happen as desired. When it came to managing reality, things were not always so simple. It would only be fair to tell that side of the story which is about the need to have harmony if all this has to work in practice – harmony which means co-operation and in deeper sense integrity.

Just consider this perspective. A Brand is normally a symbol of unity or harmony. On the surface it helps to say we all stand for some common set of ideas. Is that enough? Just think again about it. Can you come and work together without harmony! The symbol has to be supported by the harmony – a value by itself. The biggest issue for the incorporation was how to quantify Kikkoman’s brand value in this sense.

Specifically, Mogi’s family asked for one million yen (at the time of its foundation, the company was capitalized at seven million yen) as a brand fee based on the excellent reputation it had already received in the domestic market and rated as a top export brand. It must have been a reasonable demand for somebody who had sweated out to achieve this level of reputation.

To speak of harmony or as some say unity, Kikkoman’s founders rapidly expanded their business by carefully choosing common interests and by great efforts to tide over minor discrepancies. When the company was founded, one of their biggest concerns would have been to coordinate the opinions of the eight families. Quite unexpectedly, the result was complete cooperation. Mr. Mogi explains the circumstances: ‘At that time, our economy itself was going through a period of industrial revolution and

mass production was rampantly underway. I think that the eight families thought that they should incorporate to be capital intensive and improve productivity.’ This was in 1917, when World War I was at its height and Japan was itself in considerable economic boom.

He continued: ‘One concern was about the merger was personalized businesses based on relationships. But soon after the merger, Japan experienced one of its three biggest strikes of that era.’ The strike was a reflection of the growing strength of the labor movement, and Kikkoman was hit in a sore spot—it was still following the same labor practice it had employed in the Edo period when an “*oyabun*” (boss) or a labor contractor controlled the supply of staff. ‘The strike involved *Nihon Rodo Sodomei*, Japan Trade Union, and it lasted over two hundred days. Management had no choice but to unite bringing back the spirit of harmony, embodied in our core values. This actually helped management in the sense that it then continued to main stream the concept of harmony.’

Harmonious relations among its people leads to strengthen the work-based structures of a company, in the sense it enhances confidence in a company like what flesh and muscle does to the bones in our body. This strengthens the confidence in teams, the organization and all over the supply chain. And, finally it has positive impact on brand value. This story is about a modest way to demonstrate how harmony provides substance to the otherwise symbolic aspects of a Brand.

Maruya Haccho Miso (Miso Producer, Aichi Prefecture)—Organizations are Like a Pile of Stones in Different Shapes

Maruya Haccho Miso, 700 years old Japanese Miso producer also thinks the same way – on the importance of people. To make a good Miso, which is a soya paste product, various shapes of stones are piled on the top of a tub. If you pile them in the right way, so as to use all sizes and shapes of stone the affect is good. An organization is something like this: Every employee has some intrinsic value. The challenge is to see how the organization captures these values and potential in people, understands and positions them rightly, treats fairly and develops them fully.

Established in 1337 the Maruya Haccho Miso is situated to the west of Okazaki Castle, and is located on a street that bears the same name as the company, Haccho-cho-Oukan-dori. The name “Hacchocho” derives from the fact that there was a distance of *haccho*, eight *cho*, a “cho” being a measure for the distance unit in old days, approximately one hundred meters, between the street and the castle. *Oukan* - the classical expression for “main road” - derived from the fact that the street used to be on the old Tokaido main route (from Kyoto to Edo, now Tokyo). The headquarters of Maruya Haccho Miso also faces this old Tokaido main road.

Haccho miso is the representative variety of *mame-miso* (miso made from mainly soybean). There are elaborate processes recorded from a long time on the preparation of *miso*, the care taken to make it and the final product names into which it is delivered.

I now go on a tour inside the factory where the peculiar song of workers must have echoed so long ago. I have made detailed notes and assembled records and interview narrations. But just to say make a context for this story, what catches my attention first is the *shikomi-oke* or the tubs for mixing in salt. An impressive number of them are lined up in the *miso-gura* or storehouse. They are said to have been made in the Edo period. Each has a pile of round stones on top.

There are round stones that look like those found on a riverbed, but a closer inspection reveals that many are spindle-shaped and other forms. Several of them in different sizes are piled so carefully that the weight is dispersed equally so that the pile does not collapse—similar to the way in which a stone wall of a castle is built. The total weight of the stones reaches as much as five tons, depending on their size. This is the architectural explanation.

Now let me tell you how that opened up a new perspective on the softer side of the company, namely its organizational structure! Maruya Haccho Miso was founded by Oota Yajiuemon and has been handed on to the Ota family as the owner, but the *banto* (head clerk) manages the company on his own initiative. The Okamoto family, as the family of *banto*, has been in charge of management for generations. The present incumbent Mr. Okamoto is the 26th generation.

26 Generations as a Family of “Banto”!

Today we hear frequently the internal discord among the management. But in this long-lived company, the harmony between the owner and banto family has been continuing for 26 generations! This is another example of concord among people stated in Article 17 by Prince Shatoku.

Most long-lived companies adhere to some basic principles. Taking good care of employees is one of those core precepts. Says Mr. Okamoto: “Given the circumstances, nothing more respectable like a *kaken* (family constitution) or *kakun* (set of precepts) has ever been handed down. There are several things that have passed on by word of mouth at our company, if they help. Employees must know that they should not dabble in speculation. In the old days, people speculated in rice and fluctuations in the prices of soybeans and salt—the ingredients of *miso*—were so violent that they cannot be compared with the fluctuations today. Our company has seen competitors go out of business by trading ingredients with the intention of making a bundle, exploiting price changes or dealing in futures.”

“The second precept is the wisdom in taking good care of employees. If an employee is competent then give that person full reign to demonstrate abilities. If they are not so competent, we can still give them work they can do and take care of him. If a company can provide this sense of security then it does well.

To give you an analogy, a company is like a pile of stones on top of a tub. They come in all sizes from small to large and in different shapes, round or flat. However, if you pile them in the right way, they will form a beautiful cone. If you strive to make a pile of things that are in different shapes you’ll end up with something that is solid and harder to destroy. A company is like that.

“The third thing is to ask oneself if money is everything. Happiness is not just about money. There are things that money can’t buy. When it comes to managing a company and not just smaller businesses like ours, I think what counts is how much the company owns of things that can’t be measured in money.” I think this is a fundamental principle – that we look into company and value it in terms of what are things it does that money cannot really measure. That sets me thinking about the present day emerging idea of corporations built to create value.

顧客

Principle 4

Customer Oriented and Building the Economy

The fourth principle is the customer orientation and building the economy. This is considered a natural principle. No matter what business you are into, it is impossible to go on without respect for your customer. "Customer comes first" is more the natural rather than the iron rule. So, in these companies, this appears again and again and there are customs evolved to remind this some way or the other. Now processes put this into practice without and this is practiced more systematically.



Matsumaeya (Sea Weed Shop, Kyoto)—Quality Attracts People to a Product like the Honeybee to the Flower

In Matsumaeya has a history of more than 600 years. The principle of customer orientation has been consistent. The policy is to produce only the highest possible quality and to sell them with a great sense of pride. The precept expresses it as: “Highest quality alone attracts people without a murmur.” If the company focuses on customer orientation as completely as possible, customers would like to buy goods and services from them very naturally.

The connect with the Imperial Family brings in the need to maintain quality. A bit of history will tell us how the Kojima family’s association with the Royal echelons instills the need to remain and strive to achieve higher levels of perfection and quality. When I began by saying, “I heard you were founded as a merchant in the ninth year of the Genchu era (1392) in the Nanbokuchō period,” the present family head replied, “Our family was originally samurai, and our first family head was a castellan named Oyama Tomomasa in the Oyama region, now Tochigi Prefecture. As we sheltered one of the sons of the Emperor Go-Daigo in the Nanbokuchō period, when Japan was divided into the North Courts and the South Courts, we received a letter from the Emperor that ordered us to take the side of the South Courts.” I was so surprised with his explanation that Matsumaeya’s origin was not merchant but samurai.

I was speaking with Kojima Bunemon, the 32nd family head of Matsumaeya, a venerable company dealing with Kyo-Kombu, or kelp made in Kyoto. The conversation was taking place in a guest room of Matsumaeya, which is located on Kamanza Street South along Marutamachi Street near the Old Imperial Palace in Kyoto.

Kojima’s story continued: “The Nanbokuchō period lasted around 60 years, but about one third of the war funds of the South Courts were raised from kelp. The kelp had been harvested in Ezo, the current Hokkaido, and exported to China. The South Courts controlled this kelp logistics network.

“In China, people use kelp as medicine. They put kelp powder into herbal tea. Kelp was demanded for medical use. In exchanging for kelp exported to China, crude medicines were imported, and they were also used to raise war funds.

“The South Courts ended when the Emperor Go-Kameyama, the last emperor of the South Courts, entered the Daikakuji temple, and samurai served for the South Courts were unable to serve the North Courts. So our ancestors changed their status to merchants to serve the imperial family. As we had procured kelp and other goods for the emperor, we were ordered to continue to play this role as merchants.

“At this time, we received the trade name of Matsumaeya from the Emperor Go-Kameyama. At the same time, the family name was changed to Kojima, and the first name for the family head has been Bunemon for generations since then. As this was the ninth year of the Genchu era, we regard this year as our foundation.”

Subsequently, Matsumaeya took on the role of procuring item for the imperial family, at least until the capital of Japan moved to Tokyo in 1869, the second year of the Meiji era. Mr. Kojima continued, “We had been engaged in procurement for the imperial family until the Meiji era but had not sold our goods to the public. As we only prepared goods and foods for the imperial family, we did not seek profits but procured the best goods we could find.

These are only a few episodes that show our relationship with the imperial family. Some of our kelp products were also born from these relationships. The Bunka and Bunsei eras, in the Edo period, represented a time of high culture in Japan, and it is said that cooking also reached an apogee. The then empress was Go-Sakuramachi. As the imperial family did not have much money on hand at that time, suppliers of the imperial family cooked many kinds of foods to entertain the empress.

‘It is said that our products *Kasugano* and *Kiubi-Kombu* were favorites of the Empress Go-Sakuramachi.’

Mr. Kojima hands me a few pieces of ‘Kiuhi-Kombu’ and says, ‘Please try some.’ I put it in my mouth and took a bite. It has a smooth and mellow taste on the tongue. As I chew it and the subtle flavors melt into my mouth I think about the excellent rapport the family has had with the Royalty and it motivated them to maintain their performance and perhaps the important percept of quality and perfection seem to have entered into their business process like the unusual sweetness of the product – this is customarily a salty item!

Even more interestingly this long history led them to create an unusual identity for themselves. The Kojima family has an emperor who is neither

a 'symbol' nor a 'living god,' but just a person, like a sign post, reminds them of their ancient memory, their ancestors and the endured hardships together in the mountains in Yoshino. The emperor is like a guardian of the family and took care of them and entertained family and other members.

Mr. Kojima continued: 'We began selling our products around the eight years of the Meiji era, or 1875, but what has remained unchanged since then is our philosophy of making quality products and selling them with pride. We use only the highest quality kelp after storing it for at least five years in the storeroom. So the volume we can produce in a year is limited. If you put a premium on taste, it is difficult to produce a large volume. Naturally, sales are limited, and this in turn restricts our profit'.

'We are satisfied with selling our products to the extent that can be monitored and controlled by the house master. If you try to expand your business into many areas, you will inevitably trip up somewhere'.

Benevolence, Righteousness, Courtesy, Wisdom and Truthfulness

Since its earliest days, the family has been valuing the teachings of Confucianism, which put priority on moral values such as benevolence, righteousness, courtesy, wisdom and truthfulness. The 29th family head laid down several rules for merchandising based on these values. It is not necessarily a family rule, but it does include sound and honest business principles. Some of the little things that matter to them are: 'Do not be underestimate small customers' and 'Do not make excessive profits.' It also emphasizes the spirit of contributing to the public. Is it not amazing?

In his family, Benevolence, Righteousness, Courtesy are not just nice words, but something that the family has really embodied into their way of life.

Our conversion took a turn to present day challenges and the prevailing social conditions in Japan. Mr. Kojima underlines, despite the fact that food represents a significant part of the nation's culture and wonders if there has been a decline in the number of people who can evaluate and pass judgments on food. He worries that the prevalence of fast food could have a negative impact on home cooking. He is deeply concerned about how their ancient philosophy and centuries of hard work, their traditions and values can deal with these trends. And I too share his concerns!

The challenge is to break away from rigidity of a system that could prohibit originality and oppress creativity. Mr. Kojima also shared these thoughts with me. He said, “I think that it is essential that we have pride in what we make, but this is forgotten these days. Rather, I find that there is a tendency not to recognize the difference. I once went to Hokkaido, a beach, and talked with the fishing community who just took away what the sea gave them. But just look at their pride in work! If what you can be proud of what you take, there is an attitude to see value right there. It is important to ‘find value’ in what you do and to appreciate it. If this does not happen you lose interest and the motivation to do more. The government does so much to discourage this motivation. However, the challenge seems to see how one can beat the rigidity that sets in due to years of traditions that are not renewed by creativity and new ideas.

So I understood why Mr. Kojima is intuitively suspicious of these systems. Mr. Kojima and Matsumaeya have a history of producing the highest quality products with pride. Because of this, Mr. Kojima wants people with an eye and a taste for quality products to try the products they made. His happiness should lie there. And then he should become creative and see how new trends are managed better!

Houshi (An Inn, Ishikawa Prefecture)—A Story of 1300 Years of Hospitality

Houshi is perhaps the oldest inn all over the world. It has a 1300-year history of devotion to business of caring for guests. The first thing you see is a poem of five lines with the name of each guest. This is called “Shukaku ichinyo”, which means a state of being where the subject and the object share precisely the same origin – establishing in practice through every transaction ‘the deeper meanings of equanimity in a relationship’! This story is about the spiritual learning that helped to create a code of behavior to see that a guest is treated well first because a traveler has to be respected more than seen as something that helps increase business or make more money.

Hoishi started as a guest house 1300 years ago. When you visit the Hokuiku district, one often encounter the name Taicho Daishi on direction boards and signposts around the Shinto shrines and Buddhist temples dating back to 682-767 AD. Taicho Daishi, the great virtuous bonz was active mainly in the Tenpyo period 710-794. It is said that a

number of temples and shrines were established during his long life. The sacred mountains of Hakusan, which span the three provinces of Kaga, Echizen and Hida, are said to have been first accessed by Taicho Daishi in 717. Hakusan is deep even today, and 1300 years ago it must have been completely serene, providing solace from worldly affairs.

On the occasion of the opening of the mountains by Taicho Daishi, the man who worked as a guide was called Sasagiri Gengoro (meaning bamboo cutter). The second oldest son of this Gengoro became a founder of Houshi Inn. And the present Mr. Houshi Zengoro is his descendent after 46 generations. Houshi is believed to be the oldest inn in the world.

Houshi is a Member of the Henokiens. The Henokiens is a society whose members represent thirty of the world's oldest companies, mainly in Italy, France and Germany. Houshi, along with the sake brewery Gekkeikan of Fushimi in Kyoto, are also members. The name Henokiens comes from the great patriarch, Henok (or Enoch), who is said to have lived for over a century and mythology has it that he ascended into Heaven after a long 365 years! The requirements for joining the association are: That the company was founded at least 200 years ago; That company is managed by a descendant or descendants of the founder; and, The company is dynamic and in a strong financial position even now.

Besides the two Japanese companies the oldest company is Torrini, the Florentine jewelers, which was founded in 1369. Companies that are well-known in Japan as well include: Beretta, the firearms manufacturer (Italy, since 1526); Barovier & Toso, the Venetian glassmaker (Italy, since 1460); Louis Latour, the winemaker (France, since 1731) and Mellerio dits Meller, the jeweler near Place Vendome (France, since 1613).

The Spirit of "Shukaku-ichinyo"

At Houshi Hospitality lives in the Spirit of *Shukaku-ichinyo*, the state where the subject and the object share the same origin! I asked Mr. Houshi if there was anything like *kakun*. He said there is nothing like that however my mother used to tell me to acquire virtues, not money.

Come to think of it, the word "virtue" in the Western sense seems to mean something different from *toku* (virtue) in the East. As in the expression, *in-toku wo tsumu* (to accumulate virtue in secret) the nuance of *toku* refers to learning all there is to know about something. Acquiring *toku* is a way of training oneself. This led me to wonder why a priest of

great virtue, who has persevered with all the ascetic practices and attained a higher level of perception, is called *daitoko* (great virtue). Koshi no Daitoko Taicho Daishi ordered Mr. Houshi's ancestor to remain in Awazu and establish a guesthouse for travelers. Depending on one's way of thinking, accomplishing this mission is a form of training. It can be said that the Houshi family has persevered with the training for 1300 years, without tiring of it.

And this training is a permanent activity that will also continue into the future. Somewhere the recognition of serving travelers and treating a guest with reverence led to this 'virtue'. In hospitality, the guest was not strictly a customer, so much as someone whom we must serve respectfully! So, one can see that 'virtue' is more significant than money.

Mr. Houshi did not refer to it as 'training,' although he focuses on the importance of preserving the good qualities of the Japanese *ryokan* a traditional inn with hospitality in the spirit of *shukaku-ichinyo* the state where the subject and the object share the same origin.

One such quality is the food culture. The dishes served at *ryokan* are enjoyable because combinations of warm and cold dishes or sweet and salty dishes prepared using seasonal ingredients are served with tableware that is visually appealing. In addition, an extraordinary amount of effort goes into the presentations of the dishes in the proper order and at the perfect timing.

There is something Mr. Houshi looks forward to in his work, and that is to compose a *tanka* a fiveline poem that includes the name of each guest and to present it to the guest. Here are some examples:

For a guest named Shinato Eiji: *Shiawase wa Najimi no yado ni Tomarutoki, Enryo mo irazu Iji moharazuni*. It is a pleasure not to have to behave formally or act assertively when you stay at your favorite inn.

For a guest named Yanagawa Yukio: *Yamayama wo Nagamete omou Waga seko ni, Yuki no tayori wo Okuramahoshi to*. Looking at the mountains, I feel like sending greetings of snow to my loved one.

For a guest named Yuki Shunichi: *Yuagari ni Kiku-zake kumite Shun no aji, Inochi iki-iki, Chikara afururu*. After taking a bath, pour some *kiku-zake* [sake in which a chrysanthemum is soaking] to enjoy the height of the autumn season, and become refreshed and energized.

For a guest named Tokuda Hiroko: *Toku wo tsumi Daiji ni sonae Higan eno, Rokuharamitsu wo Kokoroshite iku.* You acquire virtues and prepare for important matters; and live by the six trainings of Shakyamuni to attain the stage of enlightenment.

The next one was presented to one of the employees who retired from the inn after a long period of service. *Seriawazu Zatsunen sutete, Wagamichi wo, Taezu susumite Kokoro yasashiki* - Do not compete, banish worldly thoughts from your mind, and always go your own way, you kindhearted person. The employee's name was Serizawa Taeko. These *tanka* convey Mr. Houshi's feelings towards the guests and the employees.

The ambience mattered so much – it was to bring about tranquility and peace. The landscape viewed from the reception room adds to the sense of the seasons as well. It is said that Kobori Enshu (1579– 1647), one of the three Japanese tea ceremony masters and founder of the Enshu School of tea ceremony spoke highly of Houshi's garden. The maintenance and care of the garden cannot be an easy matter, either. I visited Houshi at the end of fall and Mr. Houshi said that it was almost time to place *yuki-zuri*—snow supports to protect the branches of ancient trees weighed down by the snow—in the garden. Attention was given to every detail in the spirit of *shukaku-ichinyo*. I think what mattered most is to maintain the 'virtue' of hospitality that was about good food, great décor, but this was also to evoke a sense of tranquility that helped the guest to get the much deserving rest. It was a virtue of serving the guest.

Ichihara Heibei Shoten (Chopstick Shop, Kyoto)— 'Hang a Good Name on Your Heart'

In the Ichihara Heibei Shoten, the 250-year old chop-stick shop, there is a ritual to transmit the philosophy of customer orientation from predecessor to successor. The words are "Hang a Noren - Good Name - on your heart". What started as a sunshade gradually acquired new and purposeful meanings. By putting the names and logos on these sun shades the "Noren" became a symbol of that 'value building exercise'. In this sense, the shop keeper also had the pressures on him not to betray the 'Noren' because it symbolized his reputation and then was considered as the 'right-minded merchant'! It is about a whole new way of eating!!

Chopsticks are central to Japanese culture. It seems that the first merchant to sell chopsticks was a man called Shirohashino Okina – (literally, ‘old man of white chopsticks’), who made chopsticks of wood. Records date back to the Jogan era (859-877). However, the next thing in the records is a portrait of Shirohashino Okina painted by Goshun (a painter 1752-1811) and a biography written by Tomioka Tessai a prominent writer-artist of modern Japan in 1836-1924. These are treasured at the Kyoto’s specialty chopsticks shop Ichihara Heibei Shoten. The head of the shop is the seventh Heibei, Mr. Ichihara Hironaka. According to Mr. Ichihara, this founder was a patron for such painters as Goshun and Maruyama Okyo (1733-1795) at the time.

Chopsticks are “simple” because they are just two sticks, you might say. Yet skillfully manipulated, these two sticks can pick up, hold between, support, carry, cut, stick, split, flake, peel, scoop, wrap, place, stir, press and divide. That’s impressive for two sticks. Using chopsticks also teaches you manners. Manners are rules of human society and you could say that we became civilized by learning them.

At the Ichihara Heibei Shoten Chopsticks store, it is not just about making two wooden sticks, but the whole concept of one way of eating! There are records of rather extensive etiquette. For example, *Hashi no Bunkashi* a cultural history of chopsticks by Isshiki Hachiro lists 34 taboos or “*kirai bashi*”. Here are some of the most important examples:

Mayoi-bashi (“hesitant chopsticks”): Moving your chopsticks here and there wondering which dish to eat. *Mochi-bashi* (“gripping chopsticks”): Holding another piece of tableware in the same hand as your chopsticks. *Kara-bashi* (“empty chopsticks”): Not eating food you have just touched with your chopsticks. *Neburi-bashi* (“licking chopsticks”): Lick food off the tips of your chopsticks. *Arai-bashi* (“cleaning chopsticks”): Cleaning chopsticks inside other tableware. *Sashi-bashi* (“pointing chopsticks”): Pointing to a person with your chopsticks. *Seseri-bashi* (“picking chopsticks”): Picking and cleaning teeth with chopsticks instead of using a toothpick.

They say eating is culture. You do not even have to go so far as to remember the famous words by Jean-Anthelme Brillat-Savarin (gastronomist, 1755-1826), “Tell me what sort of food you eat. I will tell you what sort of a person you are.” A significant part of a person’s existence is exposed by what kind of food he or she eats and how.

There are several hundred different kinds of chopsticks on display at Ichihara Heibei Shoten, boasting a bewildering array of materials, lengths, thicknesses, shapes and colors. Some are lacquered and others come with mother-of-pearls work or as *chin-kin* (lacquer-ware decorated with gold). This variety is a silent demonstration of the profoundness of Japanese culture.

At the Ichihara family, the head customarily creates an original style of chopsticks. The one Mr. Ichihara created is called “*miyako-bashi*” (*miyako* refers to the city of Kyoto). He used soot-covered bamboo and made it in pursuit of handiness in use and beauty. He says that he worked hard on it, hoping to invent something that would genuinely move people. He chose the material, designed the style and had an expert craftsman make it. At first glance it looks fragile with thin tips, but its design would continue to delight, even after many uses. It feels very light in the hand.

According to Mr. Ichihara, there are significant differences in the weight of chopsticks among regions—for example, the average weight of the chopsticks of the Tohoku (northern part of main island) area is 23 grams, whereas it is 14 grams in Kyoto. The decision on the weight is arrived at in association with the serving bowl.

Hang the “Noren” Over My Heart

Here is another interesting issue. At the end of the interview I asked Mr. Ichihara if there was anything like *kakun* (a set of precepts) that has been handed down for generations. He answered, “It was in 1963. The former head summoned me to the *butsuma* (the room where the family Buddhist altar is situated). I went, wondering what he wanted. He told me to take over the business on that very day. Then he told me two things. One was not to become a chopsticks maker, because I am a chopsticks merchant, which meant that I had to become a leader of chopsticks craftsmen. The other was to hang the *noren* (good name)¹ over my heart, not over the entrance of the shop!!

The point is that at many stages in their long histories, long-lived companies had two types of traditions. One was to see how something

¹ Noren is a short split curtain which contains shop’s name often with logo mark of the shop or the family. It also means the business or goodwill of shops.

can be formalized and put down as a *kakun* or precept. The other was to see that it does remain of the 'wall' but gets embodied into the heart! This seems to be the secret of a two way strategy to pass the culture from one generation to the other.

For Mr. Ichihara to take Shirohashino Okina as his own identity means committing himself to his business. And the most important thing for a merchant is to have an eye for details and be alert. For that, Mr. Ichihara thoroughly researched the history as well as manners and customs of chopsticks and toured the country looking for the roots of chopsticks in each locale. Without his unstinting efforts, he would not be able to instruct the craftsmen convincingly.

On the other hand, 'Hang the *noren* over your heart' is a great expression. Just look at its meaning – 'A good name is a sign of trust'. A long-lived company with a good name receives the highest degree of trust. This trust is a result of the efforts of the family's own forefathers to new let a customer down. When you think about this you feel you could never just rest on a good name or disgrace it. *Noren*, which also means a shop curtain, hangs in front of a store. But whether it survives or not depends on the hearts of those who continue to do business. Once the heart is distorted or corrupted, so will the *noren*. And once it is distorted and corrupted, the trust of customers will never be regained. I understood the expression better when I was told that *noren* in the heart will have to translate into good words and deeds every moment, every day to maintain the *noren* on the curtain! If each shop owner does this little part, it will do well to the business. If each business sector does a bit of this, the economy will prosper. It is significant to understand that an economy is what its average businesses are and it is important to focus on their processes.

Fukasaku Kawara Kojo (Roof Tile Maker, Fukushima Prefecture)—'One cannot Deceive Heaven and Survive Long'

Fukasaku Kawara Kojo, roof tiles maker established 1857, supplies roof tiles for construction contractors. These operations are very difficult and are hard jobs that depend on some kind of skill, artistic element and experience. They generally exhibit a phrase something like "You cannot

deceive heaven”...that actually means one cannot really deceive customers and people for too long.

KAWARA roof tiles have been made in Japan since ancient times. The oldest record dates back to 588 AD in *The Chronicles of Japan* when four *kawara* experts visited Japan from Paekche. It is believed that they came to build Hoko-ji or Asuka-dera, the oldest Buddhist temple in Japan, the construction of which was started by Sogano Umako a political leader in the Asuka period 551-626 AD.

Despite the fact that such tile making process existed in ancient times, it was not so long ago that tiled roofs became really popular. Furukawa Koshoken (1726-1807), a geographer in Edo period, who accompanied a group of inspectors traveled the Tohoku district in 1788, described the towns in Michinoku (a region covering six prefectures in northeastern Japan) as ugly with grass roofs.

Among them, Nihomatsu was the fiefdom of the Niwa clan. At the foot of the castle, there is a giant natural rock bearing the following inscription,

“Your salary (for the officials and the warriors) is People’s fat. It is easy to oppress those of humble rank, but you cannot deceive Heaven”.

This is the admonition to the samurai; however, it can be true in the case of merchant.

The Sobering Effect of Inscriptions

In the years to come, what was handed down presumably clarifies that the term “heaven” became a substitute for ‘the customer’. The reason why the houses were all grass-roofed was the cold winter in Oushu. During the winter, the temperature falls to minus ten to twenty degrees. In such an environment, the tiles give way. For a long time, that had been the reason why tiled roofs did not proliferate.

Finally, in the late Edo period, tiles that were resistant to the cold started to be developed. One such tile was *Sekishu-gawara*, which is baked using ash glaze.

In Nihonmatsu as well, they continued to try to make tiles that were resistant to the cold weather. It was in 1857 that Fukasaku Heikichi, a tile maker from the fief of Mito (present-day Ibaraki Prefecture), established a tile plant in Nihonmatsu at the request of the lord of the fief. He invented

a method of baking and tightening the tiles using ash glaze from Mashiko (one of Japan's kiln centers in Tochigi Prefecture), and succeeded in making semi-permanent tiles that were resistant to damage from frost.

Honyaki-aka gawara is unique in that it is glazed and baked twice and coated with ash glaze after being baked making it difficult and time consuming. It required patience as well as the most careful attention to pile in a small kiln to avoid massive rejection and waste.

More improvements came in this business that also took great care of people directly involved in hazardous processes, as a significant portion of the process could not be mechanized. I could not help feeling that using these tiles on a roof was a little wasteful.

The essence of the other part of the story was that uncompromising quality processes, better use of technology and careful marketing and delivery process enhanced the popularity of the products. Above all, the great roof of Dairin-ji, the temple that houses the Niwa family grave, looked magnificent with red *Honyaki-aka-gawara* still more aglow in a green Japanese cedar grove.

In the beginning tile manufacturers used shoddy methods and processes, sometimes cut corners while ordering materials and did not take care in dispatch procedures that had kept the use of tiles low for decades, but in this case due to the different approach to the problems and also due to the superior quality of painting and design, this product was revived consistently through the ages.

On the way back, Mr. Fukasaku showed me around in Nihonmatsu City. It seemed that he remembered everything about each house his company worked on in the city, from the date the roof was constructed to the number of the tiles used. He knew it all like the back of his hand.

社会的責任

Principle 5

Socially Minded and Building the Nation

The fifth principle comes from the conviction that corporations are primarily building the society and the nation, not so much building self for some individuals. In many long-lived companies, they think themselves as social entities. It reinforces the wisdom that a company exists because of society. So, a company is designed to create lasting benefits for society to pay gratitude. And then, it is the trust it builds in the system over the years through the magnanimity towards others, such as consumers, business partners, employees and shareholders with the belief that blessings will naturally come back to it. Here are some stories that give out such a message.



Yao Department Store (Retailer, Saitama Prefecture)—Knowing You are an Outsider

Yao Department store, that has more than 250 years of history, is socially minded and has been in practice for a long time. According to the precepts of this family, it is said that: The Customer is first, contribution to the society come next, prosperity of employees and the company comes thereafter. Why? Because their business came from another region and the severe situation made them to behave more carefully than the local merchants in those good old days. That realization taught them an eternal truth on sustainability that being socially minded actually helps everybody.

Yao Kihei (the fourth head of Yao family) who works at a sake brewing business in Omiya-go province, Chichibu (Saitama Prefecture) visited Kobayashi Ginuemon, the first head of the Chogin family. It was around four months before Ginuemon died in July of 1854, at the age of 78. Kihei was also a merchant in Omi. Ginuemon's reflections with Kihei remains on the record as follows: 'Small merchants like us with limited capital can do business only with the assistance of others. As they will not provide us any assistance unless we are sincere, we are happy to work at our business by following the principles of discharging our obligations to others and not putting them at a disadvantage. As they feel compassion when we work hard and take great pains to follow these principles, we will gradually be able to establish our position in society with blessing, no matter how much wealth we hope to achieve.

This is an important principle of society. Whether you are a merchant with limited capital or a global company, you will not be able to do business unless you are sincere, unless you discharge your obligations to others and unless you magnanimously consider the benefit to others, such as consumers, business partners, employees and shareholders. On doing business the proper way blessings will naturally come back to you. Ginuemon's reflective talk further reveals that it is also very important to create good *innen* or an unseen bond to establish a cycle of goodwill and reputation.

Sekizen-sekitoku and Shimatsu-kenyaku

In a life time Kihei accumulated honor and virtue by doing everything with good care and he was frugal. In 1845, 96 years after the company

was founded, the Yao family terminated their partnership with Hinoya when the third Kihei was the head of the family. The company then became independent both in name and substance. At that time, the total assets of the Yao family reached 16,000 *ryo*, but the Yao family paid back the Yano family of Hinoya 8000 *ryo*, a half of the assets, as settlement, as promised the founder Yao Kihei, when he started his business. This kind of conduct was greatly admired at that time. I could see how these events came into the dialogue of people over the decades and had a significant impact on succeeding generations.

The Yao family has lasted for generations and expanded the scope of its business from brewery to the retailing of everyday products, such as sundry items, cotton and hemp fabrics, rice and salt, as well as operating a loan office. The ancient line is connected to the present Yao Department Store and Yao Honten, a brewery in Chichibu Nishiki.

At present, Yao Naohide, the ninth head of the family, is president of both companies. He emphasizes two principles: *Sekizen-sekitoku*, meaning the accumulation of honor and virtue, and *shimatsu-kenyaku*, meaning using things with good care and being thrifty. More recently they have codified some ideas into precepts: 1. putting the customer first, 2. contributing to society and 3. ensure the prosperity of employees and the company.

Mr. Yao says: 'It goes without saying, but our employees sincerely bow their heads to a customer in appreciation, even if the customer buys chewing gum worth 100 yen. As we educate our employees to serve customers with these feelings of gratitude, we are not involved in abruptly changing direction at all, even though it was common during the bubble era. The other thing is our high priority for community-oriented management.'

Mr. Yao explains, 'The mission statement of San-po-yoshi is often cited as the management philosophy of a merchant from Omi. That is to say 'good for the buyer, good for the seller and good for society.' Since we were outsiders here, we believed it necessary to serve the community with more care than that of the local merchants, and we have been putting it into practice for generations.'

Mr. Yao cited the Chichibu Incident as an example that illustrated how the Yao family was involved in the local community. This happened in 1884. Farmers in the Chichibu region had trouble making a living in the deflationary economy and organized a political party called Konmin-to,

a party of poor people. They rose up in revolt, mobs assaulted rich merchants.

But Yao Shoten was not attacked. Instead, because of its attitude in conducting business each day, it was only ordered to prepare hot meals for the demonstrators, reflecting the fact that Yao Shoten donated rice during the Tenpo famine (1833-1839) in the Tempō era (1830-1843) and did not make undue profits even when the interest rates rose sharply. This indicates how the local community valued the daily conduct of Yao Shoten, derived from its principle of the accumulation of honor and virtue. As the Chichibu incident spread, I believe that even small companies can place priority on contributing to society, the prosperity of the company and its employees will follow naturally.

Coming into the present, during the interviews many other examples came up with respect to *Shimatsu-kenyaku*, I understood very well that Mr. Yao put it into practice. I also heard that all executives at Yao Department Store came from Shiga prefecture. Most of them left their hometowns when they were children and had experienced living in a company together, as if it were during the Edo period.

Naikai Engyo (Salt Industries, Okayama Prefecture)— Never Economize on Public-interest Issues

This is an example where the Naikai Engyo realized and made its precept that goes back a 180 years. In this family, the founder of the business has left behind the legacy on the importance the social-mindedness with the precept saying “Don’t economize on anything that good to the public interest.”

The Last Wishes of Nozaki Buzaemon, the King of the Salt Fields

Setouchi district, the coast of Inland Sea suitable for producing salt continues to be affluent since the Edo era, and there were many entrepreneurs in salt industries. One of them is Nozaki Buzaemon (1789-1864) also known as Kojimas’ king of salt field. Nozaki turned the two beaches, Ajino and Akazaki, into 48 *chobu* or hectares of salt fields and named them Nozaki-hama way back in the years 1829 and 1830.

Until 1957 the salt fields had been used by employing the channel salt-terrace technique. Thereafter, the sloping salt-terrace technique was used

until the fields were abandoned in 1969. At that time, they were replaced by salt manufacturing factories using modern methods.

One of the records, which the founder Buzaemon left, starts with the line, 'If you are born human and have an ambition to succeed, you should diligently concentrate on the work that is natural for you.' Later it speaks of the hardships he endured when he experienced poverty during his childhood, the problems he encountered when he married his first wife and started manufacturing. He made every effort to take out a large loan, appeased the voices opposing his new business and rebuilt the levee after mud invaded the salt fields that he had taken great pains to develop.

Interestingly, the other half refers to precepts for his descendants. 'Live within your means and refrain from extravagance, but be generous as the occasion demands; you cannot succeed in society without being physically and mentally fit; work diligently with all your heart and without tiring; if you expand simply because you are doing well, you will never succeed; nothing is more dangerous than being arrogant,' and so on.

All these ideas are preserved over time because they were handed down as part of the legacy in a systematic form of precepts. These were further compiled into *Shojuin Nozaki-ou Ikun*, which are like Nozaki's last wishes.

One relevant article in the precept explains Nozaki's view concerning public interest. It says: 'Try not to spend anything on things that are regarded as useless, and don't economize on anything that serves the public interest.' There are records on how this is actually practiced. Though scanty, there are consistent accounts of how he and his successors did not economize their resources into the public interest. Among them, is a method of raising money for scholarships, to establish a sailor's school, to build a meteorological observatory and many contributions for education, social welfare and public works and so on – all in those days?

When the concept of modern day civil society was not even contemplated there were the Articles to say that ups and downs are inevitable in business but that it is important to take measures as soon as possible, without *withholding information from society*. The articles prescribe the order in which household effects should be disposed of. It goes on to encourage working with new resolve during hardship by saying that in this process, if you mend your ways when you are vulnerable, you will regain your footing. Last article describes the ideal mindset of the person who is the head of the family. 'The head of the family must try not to have

any preferences. Preferences are a source of bigotry. You should be especially careful if you have many employees'. And at the end, there is the section that I mentioned earlier about submitting a matter for consultation before making a decision. Imagine there were practices such as consensus based decisions? There were records to say that any discussion had to have issues submitted to people before deciding! Today we talk about stakeholder dialogues, but none of that really happens!!

In addition to the precepts, Nozaki left a marvelous residence. The residence is situated at the end of a long, narrow shopping mall in Kojima. In the classical Japanese style room of the residence, I met with Mr. Nozaki Yasuhiko, the seventh-generation descendant and current president of Naikai Engyo.

Here is what he said.

"The original Nozaki Buzaemon certainly established himself as king of salt fields during his own lifetime. However, as a descendant, I have mixed feelings about it. The presence of the founder can be oppressive and it tends to repel one. As far as the precepts are concerned, I think they mean something if we think about the background from which they came, rather than hoping to make the correct decision by slavishly following every single word.

Then, he explained the difficult situation of the salt industries now.

Today, the salt industry is in the final stages of deregulation. The monopoly on the sale of salt, which had been established by law in 1905, was abolished in 1997. At the end of the phase-in period, the salt manufacturing business became open to all participants and tariffs were imposed on refined salt imports. In addition, the distribution of salt that involved sale direct from the factory was abolished. When a system changes, the actual changes start prior to the formal direction, in anticipation of it. According to Mr. Nozaki, the price of salt is already plummeting in anticipation of the changes to the system. The seven major domestic companies in the salt business are already engaged in fierce competition for survival.

In saying that, Mr. Nozaki took some tough decisions in the interests of the people employed in the salt industry. Nozaki embarked on establishing the salt fields, abandoning the manufacturing and selling of *ogura-tabi* (a kind of socks separated at the big toe). The favorite quote

from the last Article in the precepts: 'When you try a new thing or do not know what how to resolve a complex matter, consult with your family, relatives and important members of your staff, then make a decision. Do not offer your opinion first.' I am amazed to find that there was a participatory kind of decisions making after consultation which I am sure is lacking in modern management processes and action! Such were the traditional models of business and work practices that Mr. Nozaki is inherited and I am sure he will carve out his future and the people in this way when necessary.

Suzuyo (Logistics Company, Shizuoka Prefecture)—Practice Co-existence

Suzuyo was established in 1801, one of the most influential logistics company in Japan, and also is a socially minded one based on the "Tomoiki" movement. This movement has a spiritual basis which means "co-existence". Accordingly, labor is something sacred and everybody must fulfill his duty towards satisfying it. And then superiors and winners should support the others with a sense of inclusivity. This would lead to an integrated society where co-existence is possible for the strong and the weak. Interestingly, under this principle it is easier to form partnerships and stakeholders are treated with a certain degree of equality.

Shimizu Port in Shizuoka Prefecture is a good natural port at the mouth of the Tomoe River. The Miho Peninsula shields the port from the wind and waves that buffet the coastline. This symbolizes the marine transportation business since the Kamakura period (1192-1333). Shogun Tokugawa Ieyasu granted licenses to forty-two shipping agencies in Shimizu as purveyors for forwarding cargo. The prosperity of this port and its business is believed to be based on the patronage of the shogunate. In 1801, Suzuki Yohei, the founder of Suzuyo, set up Harimaya Yohei, a shipping agency, taking over the company stocks from Minatoya Heiueemon, one of the licensed shipping agencies.

During this period, Suzuyo faced many difficult challenges. The chronological records available after painstaking research reveals some of them: The order to break the protected trade association in 1841, the great earthquake of 1854, the collapse of the Tokugawa Shogunate in 1868, the opening of Tokaido Line in 1889, the economic stagnation after World War I, the financial crisis of 1927 and defeat in World War II

in 1945. Calamity after calamity struck the business and company for over a century. The many challenges that they had to overcome also included the substantial decline in the market prices of goods and the control exercised after the war and the revolution in energy that saw petrol predominate over coal.

It is true that not all other shipping agencies have overcome these challenges. Then, what enabled Suzuyo to distinguish itself from the others to survive successfully and enjoy its outstanding success today? Research and interviews with key people revealed that the company realized that risks faced by corporations are not limited to external changes. More dangerous risks to a company come from the loss of its ideals and business mission. In the case of Suzuyo, there are precepts that communicate this and they must have certainly influenced and motivated people and boosted their morale. What amazes me is how a balance of system and leadership must have taken endured this high morale of co-existence for a whole century!

Attainment of Self-Awareness and the Awakening of Others

The coexistence (“tomoiki”) movement is the spiritual movement started by Shio Benkyo, who was a high priest of Jodo shu (Buddhism) and who served as the administrator of the Zojoji Temple in Shiba, Tokyo. At the end of Taisho Era, the sixth Yohei met Benkyo. Yohei devoted himself to selfimprovement, listening to the Buddhist lectures of Benkyo together with his staff members once or twice a month. The point to note is that business has been under the influence of spiritual precepts and enlightened leaders did find ways to bring these into actual action in transacting business.

The other aspect is that of encouraging employees and people connected with business to look for more meaning in their work, beyond mechanical transactions. The thoughts of Benkyo were collected and summarized in *Shio Benkyo Senshu*, The Shio Benkyo Collection, 1972, Sankibo Busshorin, 8 volumes. Just a sample of an excerpt from volume seven of this very voluminous series of books concerns the principles and organization of coexistence. Some of the questions in the enquiry are:

What does it mean to live life? To me, living life means that one's work is accomplished, that one has become self-aware and that one has awakened others.

If you merely lead your life based on the value of superior or inferior judgment, or based on winning or losing in a race for existence, your life will end up as a more radical animalistic struggle for survival.

You weave cloth and make clothing to dress yourself. You farm crops to feed yourself. When you keep on weaving or farming, your work becomes more efficient. You may weave or farm to earn profit. You may work to be honored by society.

If you work in this way, you have yet to accomplish the true development of work. If accomplished, work itself becomes the human soul. This is work in its fully developed state.

This reminds me of Suzuki Shosan¹ and his statement that farming directly corresponds to a Buddhist act. He thinks salvation is achieved when each individual is engaged in his or her secular work.

In such a world, labor is something sacred and everybody must fulfill his or her duty according to his or her share. Although this world produces superiors, inferiors, winners and losers, the superiors and winners should not hurt the others in the process of their achievements. Benkyo believed that life equated to work would lead to a convivial society where people regarded each other as siblings and friends.

Similarly there were others with similar convictions. Mr. Suzuki Yohei, the eighth president of Suzuyo, explained coexistence as follows: 'My grandfather, the sixth family head, studied under Uchimura Kanzo². After studying and coming back home, he took over the family business. However, he was sympathetic to the coexistence movement promoted by the young group of followers at Zojoji Temple. Then, he introduced the movement into the company.'

'First, it is important for each individual to be independent in a real and true sense, and is the opposite of parasitism. When you are truly independent, you can consider helping others. If every single member becomes truly independent, we will attain the world of Jodo, pure land of Buddhism.' This is a pure idea. Now see how this goes into application. 'I view coexistence from three aspects. First, Suzuyo cannot exist without

¹ Suzuki Shosan (1579-1655), Zen priest of early Edo period.

² Uchimura Kanzo (1861-1930) is known as a Christian leader in Japan and as an author of *How I became a Christian*.

customers. Suzuyo and its customers must each be independent to exist and flourish together. Second, we have to coexist in *society*. Our profit will grow and we can contribute to society naturally if society needs our business. It will also motivate our *employees*. Third, our employees have to coexist. They shall be independent and acknowledge each other.'

Mr. Suzuki first places importance on individual independence. From Benkyo's viewpoint, it would correspond to the fulfillment of self-awareness and awakening of others. As a matter of fact, the spirit of self-awareness for independence forms the basis of everything. Who are you? What abilities do you have? How can you contribute to society? Think about yourself objectively and ask yourself these questions. Repeat this process regularly. The awakening of others progresses as self-awareness progresses. It is analogous to the state where you recognize the limit of your knowledge and ability as you learn.

During my interviews I wondered: How can the Company gain from such enquiry? It is very significant in management to constantly think of this process. What you should beware of is a 'deluded sense of self' that ignores reality, deception for the sake of ostentation and appearance, and the habit of following the crowd without 'thinking'. Such acts would all be attributable to insufficient self-awareness and awakening of oneself and others. For instance, I recall the relationship between the person who was referred to as a successful Resorts magnate and his bank: The bank loaned the magnate so much money based on his perception of business that it faced heavy losses.

The attainment of self-awareness and awakening of others is very important for Japanese who tend to easily become trapped in human relationships based on a small, closed community and emotional ties oriented to authority and emotional dependence. According to this point of view, Mr. Suzuki thinks that Japan's current economic society is undergoing a general state of dysfunction because of the depreciation of various functioning systems and the moral decline that has rapidly progressed into all areas in the wake of the bubble economy. At the end of the interview, he told me that Japan would face hard times in the future.

The movement of coexistence addresses the need to create cohesive communities in then organizations using deeper tools in spiritual enquiry more than typical class room techniques. That these companies practiced all these means so many years ago seems truly astonishing!

Hanakuma (Flower Arrangement Shop, Osaka)— The Spirit of Independence

To live the principle of “co-existence”, it doesn’t mean the society where people are parasitic! On the contrary, people who are on their own also need less supervision at work and contribute to creation of human resource of a higher quality. This is good for organizations, community, and society as a whole and of course the nation. But all this can start small – a flower shop! This is the precept of Hanakuma, a famous flower arrangement shop established in 1601.

Japan is known for unique flower arrangements. One of them is *Rikka* in which *Yakueda* or the primary branches are used to structure a variety of arrangements, using, for example, a large earthenware pot as a vase. It is used as an art object for an alcove in a temple and other places. The flower shop which is oldest in the *rikka* business in Japan is in Osaka and so I selected it to know what is the secret behind this enterprise to have lived long.

The flower shop is called Hanakuma which is located beside Tanimachi, at the back of Kuhon-ji temple on Eighth Street. Tanimachi lines the western rim of Uemachi heights. Toyotomi Hideyoshi was responsible for many temples being built around the area when he built Osaka Castle. These temples still exist today. I met with the president of Hanakuma, Mr. Yamamoto Ryoichi and asked him about Hanakuma’s history.

The ancestor of Mr. Yamamoto was one of the *bantos* (senior clerk) in Tennojiya a wealthy merchant and managed to shipping agency as a name Himejiya.

In 1597, a member of the Tennojiya family, which Himejiya was working for, was disowned and killed by Hideyoshi. Himejiya closed down the shipping agency and later in 1601, after *Sekigaharano-tatakai*¹, he built his home behind Kuhon-ji, the Buddhist temple that housed the Tennojiya family’s grave. Himejiya ended up opening a flower shop under the name of Hanakan (‘*hana*’ means flower and ‘*kan*’ is the first word of his first name). That year is deemed the year in which Hanakuma was founded.

¹ *Sekigahara-no-tatakai* is the battle that took place in present Sekigahara-cho in Gifu Prefecture in 1600 at the end of the tussle between Tokugawa Ieyasu and Ishida Mitsunari for political power after Hideyoshi’s death.

Hanakan was patronized by wealthy Osaka merchants and conducted its business extensively during the Edo period. They say that there used to be vast cultivated fields of flowers for Hanakan in Hirano and Yao on the outskirts of Osaka.

It was in the Meiji period that Hanakan changed its name to Hanakuma, and now the incumbent 17th is Mr. Yamamoto. However, Mr. Yamamoto says that he was never taught the technique or the other aspects of *rikka* by his father. He only told him to 'look at the big picture.' The actual usage of scissors and suchlike were taught by craftsmen who had worked for Hanakuma for a long time. He says that his training was so severe that his hands were covered with blood.

Inside the store hangs a painting of *rikka*. It is said to have been painted and left by the third family head. There is an expression, *edaburi ga ii* (gracefully shaped branches). When I look at the painting, I sort of understand that the most important thing in this kind of business is to have an eye for balance of the entire entity.

Mr. Yamamoto says, "*Rikka* used at Chion-in (the head temple of the Buddhist Jodo sect in Higashiyama Ward, Kyoto), for example, is as high as six *shaku* five *sun* (approximately two meters or a little over six feet). We have to consider how to keep a balance in the space inside the temple's main hall by determining the shape of the branch or how far it spreads; how well-balanced the branches are against the size of the basin or pot; and the balance of the weight of the complete work." With *rikka*, there is no *iemoto* (headship) system and the name of the creator is not announced. However, some know Hanakuma's work at a glance. It is something exposed to the public so he can never cut corners. Others come and place an order after having learned that it was Hanakuma's work. Currently, their business covers the Kinki region² with more than a hundred temples on the client list.

The Silent Majority

One of the precepts rendered by Mr. Yamamoto says, 'People who work and live on their own are the most admirable people in the world rather than those who take a percentage of others' earnings. Therefore, I do not

² Kinki region is located in midst of the main island including Osaka, Kyoto.

rely on what the government or the bank says, nor do I trust them. At our family, it is a taboo to try to make money by investing in stock or land. When I look back at my ancestors there, was somebody who ruined himself because of the way he used money, but fortunately, nobody has caused others any trouble so far.'

This spirit that Mr. Yamamoto has—the spirit of independence you might say—is exactly what builds a healthy and vital nation.

People who thoughtlessly demand governmental involvement and assistance as measures to boost the economy or to fight the reluctance of the banks to lend money for public works before they make an effort to help themselves when they are in some sort of trouble; people who take things, easily expecting somebody else to bear the expense but make a point of demanding medical care, welfare and nursing; people who are blind to their own irresponsible attitude but enthusiastic about pursuing lack of responsibility on the part of others and blaming everything on politicians, the administration and schools—if more and more people become this way, it will no longer be possible to maintain society.

As Mr. Yamamoto says the most admirable people are those who work themselves to make a living. The great majority of Japanese people are still doing that, I am sure, but at the same time, they are the silent majority.

It is so important for me. This concept shows how new economies also see themselves free from government regulation and control; rather they initiate on their own. I have brought about this throughout this book.

This is how it is with the ordinary people who enjoy life despite a change of government, and they must “survive through determination” no matter how hard the times may be. To do this, it is necessary to “contrive and have talent,” and to “stay healthy and know one’s limitations.” These are the expressions of Ihara Saikaku’s *Nihon Eitaigura*. This conclusion holds true as well in my new version of *Nihon Eitaigura*.³

Within a few minutes’ walk of Hanakuma is a temple called Seigan-ji. After interviewing Mr. Yamamoto I visited it to pay my respects to Ihara’s grave. On the front of the tombstone is inscribed his posthumous Buddhist

³ *Nihon Eitaigura* is an illustrated novel, so called *ukiyo-zoshhi*, on Japanese long-lived enterprises by Ihara Saikaku in 1688. This book’s original title in Japanese is named after this classic.

name, Senko Saikaku. The inscriptions on the sides say, “Erected by Hojo Dansui⁴ and Shimoyama Tsurubei⁵,” and “the sixth year of the Genroku era (1693), the Year of the Rooster, August 10th.” I bowed deeply facing the tombstone, reported that I had named my book Shin(new) Nihon Eitaigura after his original book Nihon Eitaigura, and expressed my gratitude.

⁴ Hojo Dansui (1663-1771), is a person of high culture from Kyoto, who maintained Ihara’s hermitage for seven years after his death.

⁵ Shimoyama Tsurubei is believed to have been Ihara’s publisher.

革新

Principle 6

Continuous Innovation (Change) and Improvement

In order to be long-lived, it is important to learn how to change when one must. This important sixth principle stresses on the importance of adaptation and innovation of ideas. There can be no society without change. The problem is how you can anticipate, prepare and adapt to change by self-development and destruction (let go). It is also about how you can maintain your identity or advantage (competitive edge) against the changing world so that circumstances do not force themselves.



Myochin Hongo (Blacksmith, Hyogo Prefecture)— In Search of a New Means of Survival

Do read the history of Myochin Hongo the 850 years old blacksmith. It is just a simple and good example of changing oneself by maintaining their excellence in forging technologies but moving on from making arm-suits to daily products and then to handicrafts to now musical instruments. The pride and the joy of making something in steel continues to meet the demands of changing markets and tells us much about the need to learn new things and let go the old!!

The history of Myochin family traces back to the Heian Era (794 – 1192). The anecdote is handed down in the family that when their ancestor delivered a suit of armor to Emperor Konoe (reign 1141–1151), the Emperor appreciated its fine workmanship and bestowed the name Myochin. Then, the reputation of the family grew and their descendants were hired by many Daimyos (feudal lords). One of them is called Himeji Myochins hired by Sakai family who controlled the Himeji district.

An Armorer in a Time of Peace

The beginning or the end of an era, the wars or some major trends had great impact on the need for certain products and businesses cycled around them, unless businesses were into food, clothing and shelter. So in the case of armors they were essential in warrior times and demands fell during the peace time.

When Ikeda Terumasa ruled the region, armor-making was no doubt a cutting-edge industry. There were countless battles going on at the time, and battles always created new demand. Therefore, the knowledge of making weapons and armory advanced. At that time, there was a shift from mere swords and spears to the advent of firearms. To make the protective, lighter and tougher gear meant substitution in material like leather, cloth, cords and other materials. This required new raw materials and expertise, training and people. Considering those times, it was a major challenge.

It was also true that after the battles and subsequently when more peace settled in these regions in the years of Genna, the Tokugawa shogunate ushered in a period when armor and headpieces were rarely used. The Feudal lords and their subordinate warriors sometimes marched through the streets wearing their armor, and this was the modified lighter one.

This put a heavy premium on steel armor because it was hard to maintain from rust and damage. Gradually the fashion moved away from steel to other substitute materials. So armors were greatly affected and survived on maintenance rather than manufacturing work.

The business of armors was limited to requirements during ceremonies, parades, events, and for security reasons specially at the end of the Tokugawa era when foreign vessels appeared on the horizon off the Japanese coast and coastal security became an urgent need. At this point, there was no longer a role for steel armors.

This meant that one had to search for of a new means of survival. The present and 52nd head, Mr. Myochin Munemichi himself describes the problems faced by the family centuries ago.

‘Until the end of the feudal period, we received salaries from the Sakai family and we were able to make good products as long as we did not lead a life of luxury. When the Meiji government abolished the feudal domains, we had to support ourselves. We once thought of remaining smiths and of starting making farming implements. However, Muneyuki, who was the head at that time, transformed the business into the manufacture of metal tongs and implements using the forging technologies that the family had cultivated. The tongs developed into one of Himeji’s local specialties and local smiths survived again!’

‘After centuries of perfecting the production of implements and farm equipments the Second World War forced us to abandon everything made of iron and our family business inevitably became inactive. After the war, we sold off our belongings in order to survive. However, in the wake of the revolution in energy in the early 1960s, only a few households continued to use charcoal and braziers. Consequently, tongs were no longer marketable. During our problems, we suddenly hit on the idea of making *furin*, or wind chimes that were well-forged steel produces with a nice sound when it is struck. The new tongs suspended on a pendulum would make a sound in even a gentle wind. This was the solution we reached while we were looking for a way to survive.’

As a result of their efforts to find a way to earn a living, we had to give away years of traditional identity as iron and steel specialists of the royal dynasty and products changed from armor to metallic tongs and finally to tongs fashioned in the form of wind chimes and home accessories.

But despite these changes, the forging techniques remain active. When the author visited Mr. Myochin's workshop, which looked typical of a ironsmith's premises, he demonstrated his artistry. With his head covered with a cotton cloth the size of a towel, Mr. Myochin sat in front of the furnace and began to temper some tongs. He inserted steel chopsticks one by one into the pile of red-hot coke.

Sitting back-to-back with him, his brother ground the tongs tempered by Mr. Myochin with a grinder. In front of Mr. Myochin, his son grilled a "lobster" on a wire net. It was not a real lobster, but a steel ornament. At one time, several steel lobsters were carefully and thoroughly heated, then quenched in water to toughen them.

Towards the end, I was left with the feeling that number of separate conversations and records showed that under most trying conditions these small sets of blacksmiths had to turn over their expertise, change skills, and adapt to new products because they were demanded by people. But somehow a number of associates, families have travelled this journey together. Some still make the tongs, others make the chimes and still others make many other products – and survive and even grow!! What makes this company long lived – I ask! I think what makes them go on is their spirit of togetherness and values that helped them to change their external lives of skills, talents and all other things that help.

Mizkan (Vinegar Maker, Aichi Prefecture)—Learn to Let Go Status Quo but Know Where you Stand

Mizkan, produces the well known dietary vinegar from the company established in 1804. It has an inherent corporate mission which pronouns "Disregard the status quo while knowing where you stand!" This has great meaning though coming from a relatively small business. It means that while continuous change and improvement are one side of the coin it is important to know and stand by ones core identity. The quick way to succeed is to understand first and acknowledge well what you stand for and then trigger innovations and strive for excellence.

Sushi is a representative of Japanese dishes today. We can find Sushi-bar everywhere in the world. However the sushi of today's style is not so old. It is said that the so-called Edomae nigiri-zushi (what we today call sushi) was

first made by Hanaya Yohei around the year 1817. Before Edomae nigiri-zushi, the so-called nare-zushi or han (half)-nare-zushi were popular food. Nare-zushi is made with a crucial carp, sweet-fish or dace which is fermented with cooked rice. It is more like pickled fish than sushi.

When Nakano Matazaemon, a resident of Handa, Chita-gun of the Province of Owari (present-day Aichi Prefecture) first came to Edo in 1804, it was the golden age of *han-nare zushi*.

With *han-nare zushi*, you eat the fish and rice together, and it was made using vinegar. Nakano asked at a street sushi shop, and found out that the vinegar used was either *sake-su* (rice wine vinegar) or *kome-su* (rice vinegar) and that both of them were absurdly expensive. Nakano, who originally was a sake brewer and had already succeeded in making vinegar from sake lees—he had to dispose of them, which was a problem—immediately saw a tremendous business opportunity.

It was a business opportunity for the mass-marketing of cheap but high-quality vinegar in the mass consumption market of Edo, which was the world's biggest city with a population of one million at that time. Nakano succeeded magnificently and his family developed from a sake brewer in Owari into a nationwide vinegar manufacturer. This is how Mizkan, the leading manufacturer of dietary vinegar, which has also made extensive advances into today's food industry, began. At Mizkan 1804 is set as the year the company was established.

There are people who build up a totally new business in goods and services or establish a large business from scratch. When you meet these people and listen to them, you become aware that they have their own ways of looking at things. It is their own way and it may be different from the so-called ordinary person's way. They may look at something in a manner that is different to everybody else or from a different angle, even if they are looking at the same thing.

The first Nakano Matazaemon must have looked at things in this way.

On top of that, he was lucky. Shortly after he had started the full-scale marketing of vinegar in Edo, *nigiri-zushi* became very popular in Edo. And Kasu-su (vinegar made from sake lees) was most suitable for nigiri-zushi, because it was sweeter and more flavorsome than rice vinegar. Today, vinegar is made from grain, such as rice, wheat and corn, and fruit, such as grapes and apples. But the basic principle is the same—and that is that

all vinegar is made through fermentation. They say that there are as many as 600 different kinds.

You can see the facts about old-style vinegar making and today's vinegar making at the Museum of Vinegar, Su-no-Sato (the home of vinegar) adjacent to the headquarters of Mizkan in Handa City. An imposing storehouse built facing the canal, which still looks as it did when the company was established, has been remodeled into the museum.

One summer's day, I had the chance to interview the eighth generation Mr. Nakano Matazaemon Kazuhide (counting from the first), the representative of Mizkan Group Co., Ltd., who showed me around.

The conversation with Mr. Nakano covered many topics, but one of the things that interested me very much was the relationship between the Nakanos and the Moritas. Morita family was sake manufacturer in Kosugaya village in Chita-gun (present-day Tokoname City, next to Handa City). The Morita family is the parental home of the late Mr. Morita Akio of Sony.

Nakano and Morita families are closely related by marriage and adoption for generations.

You can gather from the close-knit relationship between the clans that wealthy local merchants in the Edo period thought about management in a certain way. You might say that each of them maintained their independence and, at the same time, formed a loosely allied group. This enabled them to attain greater confidence while improving their financial resources. Naturally, a senior character with a high caliber must have been molded within the group to play a key role in important decision-making for the group. This was probably what provided each family with stability and prosperity.

Secondly, the unique individuality of each family head struck me as being even more unique than those of other long-lived companies. This point is explained in detail in the book entitled *Seven Matazaemon—Mizkan's Footsteps through 180 Years of Hardship*. This book was published in 1986 and, according to Mr. Nakano, it was "compiled based on an idea of his late father (the seventh Matazaemon), which was: An ordinary kind of book covering the company history is not interesting enough to commemorate the company's 180th anniversary. If we distribute the books, they will just be put to one side. If we take the trouble to make it, let's make something that would be read by many people."

The preface, “In publishing this book,” given at the start says, “This is not a company history of Mizkan Nakano Suten. In a way, it is the story of those who worked to build today’s Nakano Suten. These were the words of the seventh Matazaemon.

Corporate Culture of Disregarding the Status Quo

The book, as he describes it, has turned out to be a good read and, above all, to provide a vivid description of each of the seven Matazaemon. The seventh Matazaemon summarized the lives of all seven and wrote, “The first aimed to make *kasu-zu*; the second worked hard to establish the marine shipping business and develop the market; the third consolidated the foundation as a “vinegar shop” at one stroke and seized the chance to expand during the upheaval during the closing days of the Tokugawa Shogunate; the fourth advanced into new businesses in succession in the new generation of civilization and enlightenment while contributing to the development of the local community; the fifth, who basically kept the business prosperous, expanded steadily; the sixth established the foundation as a joint-stock company to become a modern corporation protecting the company’s tradition through times of war; the achievements by those who assisted these family heads and established today’s Mizkan all constitute the legacy we have inherited today.” He refers to each family head’s achievement and that of the forebears who lived their lives with Mizkan as a “legacy.”

“History repeats itself,” but needless to say, it is impossible for the same exact event to be reproduced. However, if you learn from history, you can go on breaking the deadlock using your wisdom as a weapon. What Mizkan’s family heads bequeathed to the descendants was not confined to such tangible and intangible assets as the plant and equipment together with the brand and confidence. It also included the asset of history, which is the way they seized a business opportunity in a changing world and put an end to the deadlock.

Mr. Nakano says, “We have been earning our living from vinegar, but that is because it happened to be our family business. I don’t think that vinegar on its own will be enough for us in the future. A company continues to change what is inside according to the changing times. That is how it should be, shouldn’t it? It is important to survive changes and I don’t necessarily consider it good to be bound by the family business by attaching too much importance to it.”

The seventh Matazaemon had a favorite phrase, which was “To go beyond the status quo through self-examination.” It probably means objectively knowing where you stand, think what should be corrected and break away from the way you currently are. The “way you currently are” includes being buried in the organizational culture, being content with successful experiences from the past and being bound by the system and the common attitudes in the industry.

For a long-lived company to survive and maintain its energy, it is essential to go beyond this framework.

Right now, one of the things Mr. Nakano is especially focusing on and trying to accomplish is the establishment of a brand of *natto* (fermented soybeans).

In 2000, Mizkan started to sell *Niowanatto* (or deodorized *natto*), which is made without the distinct smell of *natto*, and *Honegenki* (or healthy bone). *Honegenki* is another type of *natto* containing Vitamin K2, which helps to create strong bones. They were both very successful. Both products were invented by using the fermentation technology that Mizkan had accumulated over many years in relation to acetobacter, and they are sold under the brand name, *Kin no Tsubu* (or golden grains). When you think about it with common sense, you cannot help wondering if *natto* that does not smell would actually sell, and naturally, there were voices of dissent within the company. However, if there is no smell, people can eat as much *natto* as they like for breakfast before leaving for work or school.

It is in points like this that you can see that the first Matazaemon’s alacrity in seizing a business opportunity for vinegar made using the sake lees, based on an understanding of the circumstances surrounding sushi in Edo, as well as the corporate culture of ‘*going beyond the status quo through self-examination*,’ which was the favorite phrase of the seventh Matazaemon, are still very much prevalent.

Chogin (Apparel Business, Tokyo)—A New Store of a Venerable Company

Chogin, established in 1798, has a similar story. It deals with apparels business originally from the Omi merchant. It says “A new store of a venerable company”. This means that you have to develop constantly into a new company and keep

pace with the times achieving lasting success. Of course this lesson was not written formally like a precept, but it is memorized through an episode on what their ancestors did and thought in the past.

There is a company that is known as Chogin. It is not the Long-Term Credit Bank of Japan, which ended up in bankruptcy in 1998. (The Long-Term Credit Bank was also commonly known as Chogin, literally, “long-term bank”). This Chogin was founded in 1798, and is now a manufacturer, wholesaler and retailer of apparel and interior goods, with its head office in Horidome-cho, Nihonbashi.

“Chogin” is a common name used for businesses of Kobayashi Ginuemon, who peddled linen cloth under the trade name Chojiya.

During the 50 years of second Ginuemon, the assets of Chogin had increased from 1270 Ryo to 137.426 Ryo, in 1868, first year of the Meiji Era.

Chogin had grown into a giant merchant, with stores in three cities (Kyoto, Osaka, and Edo). In *Tokyo no Shisanka Nishikie (Ukiyoe Print of Wealthy Families in Tokyo*, in sumo-wrestling ranking style), said to have been drawn in around 1872, Chogin is listed as the sixth-ranked Maegashira in the West. In this picture, Mitsui-gumi (currently Mitsui Corporation) and Ono-gumi (also very wealthy merchant from Omi) are listed as Ozekis in the East and West, respectively, and a name is also listed for each of Sekiwake and Komusubi (the title Yokozuna [grand champion] was not yet on the list). Therefore, the sixth-ranked Maegashira is effectively the ninth position from the top.

We are left with some episodes in the life of the second Ginuemon. One day Ginuemon was having an evening drink. As no dish had been prepared on his table, he asked his wife “Is there anything to go with the sake?” His wife replied, “Sorry, we don’t have anything today.” When he asked, “What about the dry codfish I saw in the kitchen this morning,” his wife said, “I used them for lunch for employees.” On hearing this, Ginuemon gazed out into the garden and enjoyed the scenery, drinking quietly.

Knowing that her husband did not have any food to go with his sake, his wife and maidservants decided to send a footman to the neighboring town, Echigawa to buy dry codfish. The footman breathlessly returned and his wife placed the food on his table. Ginuemon asked her with a

puzzled frown, “Didn’t you say that you used it for lunch for employees? How did you get this?” As she explained, he stared at her with an angry look and finally said reprovingly, “What a waste! Unpardonable!” He was outraged.

At that moment, an assistant manager called Gisuke returned store from a business trip in a dither, and told the house servants, “I ran into a thief on the trip and was robbed of 400 ryo.” Listening to this, they wondered what would happen if their master heard, given the anger they had just witnessed over a single dry codfish. They advised him to report the news to the master tomorrow after he had calmed down. However, Ginuemon had overheard, and suddenly came out of the dining room.

All of the house servants watched with bated breath, wondering what would happen. But Ginuemon just took Gisuke’s hands and gently said, “Gisuke, come in here and let’s have a drink together. I just heard you were robbed of 400 ryo on the trip, but these things can happen when you are on a journey. Don’t worry; what’s done is done. From now on, take great care when on the road.” The two men then spent some time together chatting.

What was done to please Ginuemon exasperated him, while what was expected to aggravate him met with a gentle response. But the episode clearly shows what Ginuemon valued.

It is not that he was stingy over the cost of a single dry codfish. What had angered him was the waste in the act of sending the manservant to Echigawa to buy it late in the evening and the thought that they could win his favor by trying to read his mind. Also, the reason why he drank with Gisuke was to ensure that unfavorable information come up to senior management quickly.

A Universal Message

Another episode shows what Ginuemon thought about ‘confidence.’ There was a moneychanger in Kyoto named Iseya Tobei, and many merchants in Goshu (another term for Omi) dealt with him. One day, Iseya suddenly went out of business with debts of more than a million ryo. Chogin was in turmoil when it heard the news from another merchant who also had money lodged with Iseya, because Chogin had deposits of 140 thousand ryo with him. The general manager and assistant managers began talking

about sending a person immediately to Iseya to retrieve as much of their money as they could, when Ginuemon joined the discussion and said, “Wait. If a merchant prince like Iseya closes his business as suddenly as this, there will be no use pressing him to return the deposited money. Instead, we must prepare ourselves. Many of our suppliers, hearing that Ginuemon has suffered a loss of 140 thousand ryo, will be sure to call for payment, thinking that we are a risk. So the most urgent task now is to make these payments.” As expected, many vendors came from far and wide to Chogin to collect their money. But Chogin was prepared, and paid as much money as was demanded. This gave rise to the rumor that Ginuemon wielded enormous financial power, which developed trust in the firm. Consequently, even though Chogin had paid only about a half of its payables, creditors who had run to collect their receivables began apologizing for their discourtesy and began building up credits with Chogin again. Confidence in Chogin had redoubled.

This is not something that can be done easily. Hirase Mitsuyoshi describes Ginuemon as follows: “A person who always showed respect and awe for the trivial and behaved in a calm and collected manner when facing the serious.”

A portrait of this second Ginuemon remains in a house he built in Kotakari-mura (the house is today open to the public as Omi-shonin Kyodo-kan (“Omi merchant museum”). This portrait was painted by Muramatsu Ungai, in 1898.

Although the Ginuemon in the portrait is in his later years, he still looks vital. His hair is thin on top, and his eyebrows have become gray. But his eyes are penetrating and his teeth are firmly clenched, as if to display his strong will. His portrait reminds me of the word, “*Ikuseisou*” (meaning “over the years”). It shows the strong aura of a hardy person who lived through stormy times at the end of the Shogunate and the Meiji Restoration.

Along with the portrait, many other documents are stored in Chogin (Omi-shonin Kyodo-kan). There are account books, reports and letters between head office and branches simple but compendious family precepts, a well organized summary of store rules, old Japanese and Chinese books, calligraphic works and paintings, antiquities, and furniture and household equipment.

Of those that remain, the episodes of the charismatic ancestors seem to have a particularly strong influence on later generations. This is because they tend to be remembered more readily as they are specific and concrete and include a universal message.

The stories that show senior managers with the right attitude, such as the personal example set by the second Ginuemon, are the very reason Chogin has survived through the centuries. As for the Ozekis in the *Nishikie*, the Mitsui family has already withdrawn from management, while the company run by the Ono family went bankrupt as early as 1874.

I spoke with Mr. Kobayashi Kazuo, the current president of Chogin, at his head office in Horidome, Nihonbashi. Mr. Kobayashi is the eighth family head, although he has not yet succeeded the name of Ginuemon. The conversation began with the story of merchants in Omi and covered a wide range of topics from the history of Chogin, episodes from the lives of successive Ginuemons to the business of Chogin today.

Mr. Kobayashi often tells his employees the story of merchants in Omi, and he always mentions the concepts of “*San-po-yoshi*” (“good in three directions”) and “*Shinise no sin-mise*” (“a new store of a venerable company”). “*San-po-yoshi*” is always quoted in the mission statement of an Omi merchant and can be interpreted as meaning, “For the buyer it is good, for the purchaser it is good and society it is also good.” In other words, a commercial transaction must be good not only for the parties to the transaction but also for society.

Says Mr. Kobayashi, “There is a customer and a supplier, and there is us. When each of these three parties can do business satisfactorily, or when every party is satisfied, the business is worthwhile from a social perspective. There is also a saying that our gain is a result of the gain of the others, doing the good thing by yourself is equal to doing the right thing by others. This teaches us that how you interpret what is right for you and others must be the basis for your judgment in all things.

“A new store of a ‘venerable company’ is another of my favorite sayings. It means that you have to develop into a new company to keep pace with the times and to achieve lasting success, because responding to a changing world is essential. This is what our ancestors did their part.

His saying is common to other long-lived companies and indispensable way of doing to survive. “As for my present job, I have been changing the

style of business of Chogin from operating primarily as a traditional wholesaler to an approach in which we sell products direct to consumers by planning and manufacturing on our own. If we didn't do that, we would not be able to take the initiative in an age when distribution systems are becoming increasingly simplified. Our way of doing business in which we select quality materials and trade with a distinctive personality is finally being recognized."

Chogin has two business segments: the Papp division, which deals with private brands (children's clothing) and the Schulussel division, (casual wear for young people). All place emphasis on proposing a lifestyle. I would say that this shows the evolution of Chogin, who started with the peddling of linen cloth and has continually evolved into a new store.

Meboso Hachirobei (Lure Shop, Ishikawa Prefecture)—Create Inventive Products without Imitating

Meboso Hachirobei, lure shop was established in 1575 has been continuously creating inventive products without too much imitation. Their field of lure fishing is very nitch and small areas and so customers look out with a keen eye for their products. In other words their efforts to change and improve were forced by the curiosity of customers. In case of Meboso Hachirobei, this is a case of fusion of customer-orientation and ceaseless change, and how it contributes to sustainability if it is pursued strategically in business.

We have to this point looked a small but diverse range of family precepts. Most of them belong to merchants, but precepts are not exclusive to this class of people. Irrespective of whether the family members are warriors or farmers, it was only natural for those who hoped to see the family achieve longevity to leave their last wishes to the descendants. Japan is unique in this regard as well, and many ancient documents have been preserved.

In the precepts of the warrior family, *Gokurakuji Dono no Goshosoku* is listed first. This was written by Hojo Shigetoki (1198-1261), who was a younger brother of Hojo Yasutoki (1183-1242) and who took office as Rokuharatandai (a local agency of the Shogunate located in Kyoto's Rokuhara) and as Rensho (deputy to the Hojo regency). It is noteworthy that the virtue of honesty is stressed by saying, "Pray that you will be

honest and bereft of greed.” It is believed that this was written some time closer to the year he died, which was 1261. This time I would like to introduce a part of Meikun Kakun, the precepts of a warrior family. It was written by Muro Kyuso (1658-1734), a Confucianist in the mid-Edo period.

Who has a Quicker Eye for Profit?

The content certainly reflects the fact that Muro was a Confucianist. It instructs one to respect one’s parents, to be faithful to one’s master, to study hard and devote oneself to swordsmanship, to lead a simple life without extravagance in food, clothing, shelter or socializing, to live a life one deserves and to esteem righteousness because that is the way of the samurai.

‘Those who have keen sense of duty do not have a quick eye for gain, and the converse is true. A samurai must have a keen sense of duty and a tradesman, a quick eye for gain. A samurai who is mindful of his financial interests is unacceptable because it is impossible for him to be dutiful. A samurai receives roku (stipend) from his master so that he does not deal with matters relating to making a profit and so that he behaves first and foremost as a brave warrior.’

Muro’s view in this respect reminds me of the chapter, “Aru Gakusha Shonin no Gaku wo Soshiru” (“A Scholar Despises a Well-Read Merchant”) in *Tohi Mondo* by Ishida Baigan. In it, “a scholar” says that merchants are in the habit of lying to make a profit. At the same time, when it comes to questioning whether warriors have a keen sense of duty and do not know much about making a profit, it says:

‘Nowadays, I hear that at samurais’ meetings, neither the host nor the guests are well-mannered. They talk rubbish, laugh and curse loudly, or gossip about others and talk dirty or get drunk. Some even make fun with the kouta (a traditional popular song accompanied on the shamisen).’

This was not just hearsay, but the true facts of samurai in peaceful times. In the Kaga fiefdom, presently Ishikawa Prefecture, founded by Maeda Toshiie (1538-1599), it has become quite impossible to conceal the lax ways of the samurai during the years of the fifth-generation Tsunanori (1643-92) as well, contrary to the superficial elegance of the time.

The lax ways of the samurai was not observed only in the Kaga fiefdom. When the time of war and confusion is over, the samurai become dead

wood. Each fiefdom was gradually starting to value competent officials who were knowledgeable about finance and arithmetic instead of the rustics whose strengths were only their skills with the sword and lance. The fifth Shogunate, Tokugawa Tsunayoshi's *bunchi-shugi* extended this trend. On the other hand, the proliferation of the financial economy and the improved standard of consumption centering around the city contributed to the relative poverty of the samurai class, whose salaries from the feudal lords were fixed. The situation was very serious, especially for lower ranking samurai.

Under these circumstances, there was no point in giving rallying cries exhorting the samurai to behave as brave warriors. According to the theory, this is why *ayu* or sweetfish fishing was recommended to the clansman in the Kaga fiefdom: *Ayu* fishing is good training for the mind and body. If an instruction had actually been given to go *ayu* fishing to encourage and inspire the samurai, some serious samurai must have thought, "Nonsense! Who do you think we are?" On the other hand, frivolous samurai must have thought that it was better than having to look at the stern countenances of the senior samurai. Either way, it was a painful choice.

However, once you try *ayu* fishing you will find that it is intense. Some of the warriors must have been fascinated by its appeal, and they grew to become the developers of artificial flies.

Ayu is also called sweetfish and is representative of Japanese freshwater fish. Many fishing methods have been practiced since ancient times. The methods include *ukai* or cormorant fishing, *yana-ryo*, which employs a fish trap, *tomo-zuri* or live-lure fishing, and *kebari-tsuri*, which uses an artificial fly. Of these, *kebari-tsuri* has been developed as a method that is unique to *ayu* fishing.

The artificial flies made by the clansman of Kaga were famous for being barbless. This feature has endured and is still a characteristic of the flies made in Kanazawa (capital city of Ishikawa prefecture) today. Because it has no barb, the hooked fish will escape if you are slow. You must bring in the fish with the same timing and in the same spirit as a sword fight. The logic is that *ayu* fishing is good for practicing such timing and developing such spirit. I cannot help feeling wondering whether they really had to go so far. But if they had lacked these skills, they would have been degraded to a useless bunch who idled the day away. This was probably a point that they had not to concede.

The clansmen competed in studying the behavior of *ayu* to make artificial flies for a large catch. The artificial fly consists of a hook and a line made using birds' feathers. The hook was made using a sewing needle. Some of them were created for the clansmen's personal use and others were probably sold to other people. The warriors of lower ranks were probably able to make their own allowances this way.

As they became increasingly confused about their real profession, they must have grown more careful in selecting hooks. Through a process of trial and error, they progressed to the pursuit of the best and most appropriate thickness, strength and elasticity of the hook.

This is a story of *ayu* fishing in Kaga fiefdom. Not only in the fiefdom, in the many fiefdoms, samurais had an important role to develop and promote regional industries in Edo era.

The Meboso Hachirobei established in 1575 in Kanazawa has been making hooks using sewing needles. The current head, Mr. Meboso Shin-ichi, is the 19th generation. The store is located a little up the slope from Higashi-betsuin temple in Kanazawa (a local branch of Kyoto's Higashihonganji). The name of the street is Yasuecho-Meboso-dori, the same name as the family.

Presumably Meboso's hooks had already established a reputation for quality around the Genroku era because a signboard remaining at Mr. Meboso's residence says, *Honke Mebosobari* (original maker of Meboso's needles). The fact it says *honke* (original maker) makes me imagine that poor-quality fake Mebosobari were circulating in some places. The name "Meboso" (squinted eyes) probably came from the fact that people squint their eyes in trying to put a thread through a sewing needle. The Meboso family used to receive many orders for their sewing noodles from the fiefdom as well, and the family was given permission to use the family name, Meboso, as a brand name. However, it was not until the Meiji period that Mr. Meboso's family actually invented artificial flies for *ayu* and switched to become a merchant of fishing goods. Here is what Mr. Meboso said: 'Today, the places famous for their fishing hook shops in Japan are Nishiwaki in Banshu (Hyogo Prefecture) and Tojocho (Kato-gun, Hyogo Prefecture). I moved here from Tojo-cho. It was a town in the mountains and there were few rice fields. The town was poor.'

"So when I first came to Kanazawa, my impression was that it was an affluent land. Maybe it is the aftertaste of being a fief of one million *koku*

(a *koku* equals 180 liters), but people here are gentle yet, at the same time, they have the spirit to extravagantly entertain their guests, despite having little money. Also the artisan attitude of being committed to making articles of high quality endures.”

“My foster father was typical and for a while I used to rebel because I was not sure if we could stay in business if we followed his ways. Now, however, there is constant demand for the hooks, creels and sinkers that were originally invented by the former family head. Only our store carries them. Nowadays, I can keenly aware that I am indebted to him for our business and that I have to try not to lose my soul as an artisan myself.”

Mr. Meboso’s shop stocks more than 800 different kinds of products, just counting the artificial flies. The artificial fly that the *ayu* prefers depends on a wide range of factors, including the stage of the fish’s growth, the time of day, the water temperature, the depth of water on the day as well as the fishing spot. Therefore, the catch depends solely on the choice of artificial fly.

To the untrained eye, they all look like fake mosquitoes or flies at best, but you will find that there are threads in bright colors and subdued colors winding around the hook, and on different hooks the thread is wound in different ways.

Each artificial fly has a graceful name taken from the evocative expressions found in the Japanese classics, such as *ukifune*, *oimatsu*, *ataka*, *akebono*, *ichiriki*, *kokka*, *yatsubashi*, *murasame*. Each of these is categorized according to its characteristics. With *ukifune*, there are different types such as *moto-aka*, *moto-ki*, *chu-kin* and *aka-zoko*. It is like arts and crafts. As a matter of fact, when he started to sell brooches that looked just like the artificial flies, he says that, surprisingly, they caught on.

Mr. Meboso concluded as follows:

“This is a family of craftsmen, so there is nothing that resembles family precepts that have been passed on for generations. One of the reasons we have managed to stay in business is that the scale of business is small. The artificial fly is not something everybody deals in. I think our business has been stable because we did not expand. I just think that it is important for us as craftsmen to make an effort to create inventive products without imitating what somebody else has done.”

Mr. Meboso's way of life is not about being particularly ignorant of making a profit, but rather choosing to live with a keen sense of duty. This is different from the persuasive statement by Muro Kyuso, a scholar whose views support the government in power. It was the right way for a tradesman as well.

質素

Principle 7

Frugality and Efficient Use of Natural Resources

Among Japanese people, to be frugal and moderate in consumption is considered a virtue. It is the seventh principle of the long-lived companies. Dualist philosopher Ishida Baigan says, “I underline the frugality in life, not because we can become rich by it, but because we can go the honest way”. In this sense, frugality is not a purpose but a means. To elaborate on it would mean that frugality is to find new ways to use natural resources more efficiently as is now understood to make a sustainable world. Several stories have thrown up the same thing throughout this research.



Zohiko (the Lacquer Ware Shop, Kyoto) – Others should not Lose by your Actions

Zohiko, lacquer ware shop was established in 1661. It is known for precepts on frugality and economizing on resources. Some of it is explicit in words like: 'It is wrong to live a high living. Simply live in seclusion and austerity'. In business, if the company loses the spirit of frugality, at the same time the company also loses the mentality to do business in right way and to serve people it becomes a great problem. Most sustainability initiatives in the present day stress on moderate consumption.

Kyoto, the former capital of Japan, is also known for lacquer ware. There are many lacquer shops, of which Zohiko has a reputation par excellence. Originally, Zohiko started as a merchant of imported handicrafts from China. In other words, it used to be an importer and seller of Chinese lacquer-ware and ivory. The founder was a man named Yasui Shichibei from Ako in Banshu (presently Hyogo Prefecture). He moved to Kyoto and according to the record he opened a shop in Nakanomachi in Shijo-teramachi-kudaru in 1661, thus founding the business.

Yasui's family line died out with the fifth, and Nishimura Hikobei took over the shop. Nishimura was from Yasu, Goshu (presently Shiga Prefecture) and working as a senior clerk. This is the first Hikobei and the ancestor of Mr. Nishimura. According to the record this happened sometime during the Houreki years (1751-1764).

Since then, and for nine generations, present Zohiko's president is the ninth Mr. Nishimura Hikobei. During my interviews, Mr. Nishimura explained how this is a matter of mindset of the senior executives. 'The most important point in the mindset of someone who inherits a good name is to feel like a relay runner. I am thankful to my forefathers. Whatever we are doing now will eventually benefit the future generations.' This sounded like a modern definition for sustainable development!!

Teishu no Kokoroe - Things the Family Head should remember - which has been handed down at Zohiko, states: 'Whether a family prospers or declines all depends on the mindset of the descendants. The head of the family must not mistake the family name and property for something that belongs to himself. Remember that you have been handed down the role of a manager by your ancestors; teach your descendants not to disgrace the family name, and to adhere to social custom, use employees with a

sense of justice, think of prosperity as devotion to your ancestors; and when the time comes to retire and hand the business over it is wrong to live a high living. Simply, live in seclusion and austerity to set an example. However, be encouraged to strive for eternal prosperity for the generations to come.'

Although I said it many times in the book that the idea of business in Japan is something like the creation of goodwill, reputation and build a legacy in your life time only to be carried forward by future generations. I prefer to repeat it here to say how long lived companies again and again show the importance of the family ownership that is detached from the wealth generated by the company and serve the purpose of building reputation. The passage "you have been handed down the role of a manager by your ancestors" does suggest that a head of the family is a relay runner. It was in 1967 at the age of 36 that Mr. Nishimura took over as the ninth Hikobei. He recalls, "When I succeeded to the name I felt anew the seriousness of my responsibility not to disgrace to the name, which had been passed on for generations."

An Industry to Please One's Five Senses

On the creation of lacquer-ware Mr. Nishimura says that traditional industry had all the time to please a person's five senses – meaning pay attention to all details. The food made and served was done in great style. 'Take a *wan* (wooden bowl), for example. If all you do is eat a Bakelite will do. A *wan* is served in front of you. You look at it first and appreciate its luster, shape and what kind of drawing is on it. Then you take it into your hands and feel the lightness of the base for the lacquer-ware and its relaxing warmth. When you remove the top, the fragrance of the ingredients in the *suimono* (clear soup) gently rises. You see countless dewdrops on the rear of the top. You cannot call it a real meal without enjoying these things.'

When I hear a statement like this I begin to wonder whether fast food can destroy Japanese food culture which is the type of food, the ambience and the way it is served. 'It takes time and effort to make one bowl of such dish.'

Lacquer-ware made in such a way can last for generations if it is maintained properly. I am not sure since when it has been like this, but nowadays we seem to judge the value of things in such a short time.

Nishimura says, 'Ideally, an established store should grow without people being aware of it, like a cactus.'

Records show that the company had various procedures to account of materials. This was done to see how supplies could be planned well in advance as transportation would become difficult. The way to be 'prepared' is also described at the end of the *Nenchu Gyoji-ki*, Zohiko's other set of precepts. It describes the matters that need to be attended to, and calls for a simple and frugal life, and the need to perform one's social duties. 'If things do not go well and you are insolvent and inventory runs short on several occasions, lose no time in exercising internal control. If things are clearly out of your control then it is necessary to withdraw without fail.'

This encourages immediate response when in financial distress. If that does not work you must take responsibility. 'If you cause others to lose as a result of your debts, it represents a lack of filial devotion to your parents and ancestors.' This means that the most important thing is not to make others lose. It goes further – 'In difficult times, if things go out of control despite your sincere efforts, then nothing can be done. These things happen in the world so don't hesitate to sell your belongings and things as soon as possible, live the simplest possible life, rent a small place to live, and even if understaffed conduct business and earn a meager living. When the time comes and if you work diligently, you will find this to have been a short cut to go back to where you were.'

You must clear your debt at your own expense, live a humble life and patiently await an opportunity. Trying to hide the reality out of fear of getting a bad reputation is the last thing you want do. 'If you try to hide and put off taking measures because you are afraid of what the world may say about you, what there is will decrease as time goes by. This is to be feared so remember to take action as soon as possible so that there will be no misunderstanding.'

The world of *Nenchu Gyoji-ki* is, no doubt, different from that of a modern public company. But even today, trying to hide from reality just makes a situation go from bad to worse.

This is a passage that I would love to read to any manager who has been allowed an exemption from debts by a bank and who acts as if nothing has happened without offering his own private funds, or who has benefited from an enormous stock options himself and who has mislead employees into buying company stocks with window-dressing account.

Chikichi (Kimono Wholesaler, Kyoto)— The Long-lived Store is based on Frugality

In the case of Chikichi, a Kimono wholesaler having 450 years history, they have also a same kind of precepts on frugality. In addition to this, they pay attention to the necessity of management systems to implement it including top-management and incentives to employees. The case is about how these practices are important for growth when they are a part of the core business process.

There is a book called *Shinise to Kakun* (Long-Lived Store and Family Precepts) edited by Kyoto Prefecture and published in 1970. It is a voluminous book consisting of and including reference materials.

The book is a thorough study of long-lived stores in Kyoto that have been around for more than a hundred years, since the Edo period or earlier. The study was conducted in 1968 as one of the projects to commemorate the 100th anniversary of the opening of the Kyoto Prefectural Office. As a result of the study, 703 long-lived stores were identified and, in the process, there were such new discoveries as family precepts or store regulations of each store, and they were categorized and organized as well.

Speaking of commemorative projects, in many cases the parties involved tend to want to build impressive new buildings whenever the opportunity presents itself, although they have difficulty maintaining and managing them afterwards. Under the circumstances, I am impressed by the insight of those who planned and implemented this study.

The book consists of three parts. The first is what you might call the general remarks in which Dr. Adachi Masao, an authority on the family precepts of long-lived stores, explains them. Next, each family's precepts and other things are categorized item by item and introduced. The third part is entitled "Management Principles of Long-Lived Stores," in which some long-lived store managers themselves put down their thoughts about the management of long-lived stores and the way they implement it.

Mr. Nishimura Daijirō, Chairman of Chikichi, a wholesaler of kimono in Kyo (present-day Kyoto), contributed an essay entitled "Philosophy of a Long-Lived Store—the Will to Continue."

This essay explains his thoughts based on his personal experience about what a long-lived store is, his awareness of its reputation, the requirements for the successor and other things. What I am in total agreement with is the summary of the basic attitude necessary to continue a long-lived store in the epilogue.

There are three articles. The first is, ‘A long-lived store must continue to renovate itself.’ The second is, ‘A long-lived store must always train talented people.’ The third is, ‘A long-lived store should always try to serve the local community.’ I think these three items encapsulate the essence of the survival of very old company.

I had the honor of meeting him at headquarters of Chikichi in Karasuma Building in Sanjo-karasuma, Kyoto on a sunny day in autumn. My first question was: It appears that the family precepts of Chikichi are influenced by a dualist philosophy *Sekimon shingaku* expounded by Ishida Baigan. Did the Nishimura family have any exchange with the fellows who belonged to the school of Ishida?

Mr. Nishimura replied, ‘No tales have been handed down by word of mouth about the exchange between the ancestors of the Nishimura family and the dualist philosophers under Ishida. However, speaking of dualist philosophy, they say that the elementary school I graduated from used to be a private school called *Shingaku-juku* where the dualist philosophy was taught. Maybe because of this connection, Mr. Taguchi, who taught me ethics and gymnastics, used to always tell me about it—about Ishida’s life or, for example, how he worked as apprentice the second time at a kimono shop in Kyo as well; or how the dualist philosophy opened its doors to women and it was what would today be called a lifelong learning—my teacher told me about these things, too.”

Influence of the Dualist Philosophy

Listening to Mr. Nishimura reminded me of the depth of the culture that has been accumulated in Kyoto. Mr. Nishimura was born in 1918, so it was from the late Taisho period to the early Showa period that he was an elementary school student. Teachers in those days probably used to naturally tell children about dualist philosophy. I imagine that Meirin-sha¹ and Sanzen-sha² were still active in those days. Incidentally, the former still exists in Kyoto as the school of Tejima and the latter in Tokyo as well.

¹ Meirin-sha was a school that was opened in 1782 by Tejima Toan (1718-1786), a fellow of Ishida, who worked hard to distribute and teach Ishida’s philosophy after his death.

² Sanzen-sha was another school that was opened in Kanda, Edo by Nakazawa Doni (1725-1803), a fellow of Tejima).

Now here is another insightful issue on why Chikichi has lasted so long. The beginning of Chikichi's family business dates as far back as to the Koji years (1555-1558) after Onin-no-ran³. Mr. Nishimura stresses the ideal management system. 'The first thing is the system of adoption. We have maintained a system where even a real son is made to retire if he is not cut out to be an executive, and a talented and strong-minded person is adopted and trained to become the successor. The second is *bekke* or the employee's branch system. In the old days, 12 to 13-year-old youngsters would join the store as apprentices. They would work until they turned 30 years old or so, get promoted to *tedai* (a key employee who is given a certain scope of responsibility by the manager) or *banto* (head clerk), and if they excelled, they were allowed to open their own establishment under the same name and become independent. This system helped organizational metabolism and gave the employees a clear target of becoming independent. On top of that, this system in the form of *norenwake* (literary dividing the goodwill) enabled business to learn more social credit and the group as a whole benefited from the mutual aid. Both parties—the main and the branch—benefited from this system.'

'The third is *banto seiji* or administration by the head clerk. It is a division of work between *banto* and the family head. *Banto* takes the responsibility for sales and the family head takes care of personnel and finance. It enables *banto* to devote all his energy to sales because he is entrusted with the authority and on the other hand, it enables the family head to take necessary measures prospectively because he can view the company calmly and objectively. I think this kind of division makes companies operate better, if anything.'

The above-mentioned three items would today be called meritocracy, incentive, and corporate governance, respectively. Needless to say, Mr. Nishimura does not think the old ways will hold good in the future. The family has already become a joint-stock company and it is unlikely that many employees' branches will become independent in today's low-growth economy. This led to talking about *noren*.

³ Onin-no-ran: A battle between Hosokawa Katsumoto and Yamana Mochitoyo which started in 1467 and continued for ten years. It divided the whole country in two and caused the decay of the Muromachi Shogunate, which led to the Age of Civil Wars, which lasted approximately a hundred years.

‘The word *noren* is often mentioned, but I understand it first as a symbol of confidence, second, as a symbol of the fighting spirit toward the outside world and internally, as a symbol of harmony among people or good human relations. Concerning this point of human harmony, our family precepts refer to the relationship of master and servant as ‘friendship.’ I think it is quite rare that such a thing is said in family precepts. It is not just about interdependency. It aims to build a friendlier and closer relationship. Specifically, the precepts mention the system of making a proposal and other things.’

Chikichi’s family precepts were made in 1745. It is the year after Ishida Baigan was buried in Toribeyama, a hill spreading eastward from Gojo-dori in Kyoto. Mr. Nishimura has categorized these precepts by four themes.

The first theme is to specialize in the family business. ‘Specialize in the family business that has been handed down by the ancestors, follow society’s rules and stay away from a luxurious life.’ The second is to make one’s own way in the world in a righteous way. ‘The official notifications, let alone the laws and regulations from the Shogunate, must thoroughly be delivered to the family members to obey, and the community regulations must not be treated inconsiderately.’ And the third is the abovementioned article about friendship, which Mr. Nishimura refers to as harmony within the family. ‘As merchants, the master and the servants are friends. The master should have compassion for the servants and the servant should treat the master with respect. And the servant should work diligently without a formal and rigid relationship within the store.’

In conclusion, Mr. Nishimura stressed the strict adherence to a frugal life. This is described in article one as “staying away from a luxurious life.”

Iwano Ichibei (the Washi Maker, Fukui Prefecture)— What Goes Comes Back

Iwano Ichibei, 300 years old Washi (Japanese paper) maker, is the case of how to do business sincerely and with diligence. Some words which present this spirit are: “The Paper reflects the minds of persons who makes it”. These words are true everywhere and not just paper.

Echizen Imadachi (now Imadate-town) area is the home of *washi*, or Japanese hand-made paper. The houses in the village are clustered together

in the depths of the mountains, like huddled masses, some eight kilometers east of Takefu where the provincial government of Echizen (present-day Fukui Prefecture) used to be situated.

In this home of *washi*, I visited Mr. Iwano Ichibei. The heads of his family have specialized in making *kizuki-hosho* from generation to generation. *Hosho* originally referred to a document that a vassal used to transmit his lord's order to his subordinates. *Inzen* (words by a retired emperor or a former emperor who has abdicated and taken Buddhist vows) is a representative example of this document. It is an official document of an order from a person of high rank, so presumably people thought it should be written on paper of the best quality.

This is the process of paper-manufacturing, Mr. Iwano explained to me.

First, *kozo*, deciduous shrub of the mulberry family, the bark of which is used to make paper, is soaked for a whole day and night and boiled in *sanjaku-gama*, a caldron that stands about a meter high. The space for the caldron is built away from the main house, and you are greeted by the fusty smell of wood when entering it. We happened to get there to see the boiled *kozo* being pulled out of the caldron into a tub. I touched it. It was still hot.

The work has continued since early morning. He told me that the process of boiling *kozo* also included turning it every 50 minutes and steaming it for about two hours. Then the process is elaborate. Remove the dust (*chiritori*), loosen its fiber (*kokai*), add the viscosity, scoop and shake the fiber repeatedly, squeeze the water and finally spread to dry. They showed me the finished *kizukihosho* as I had some tea in the living room. It was rather yellowish than snow white. It had a very distinctive shining gloss. When I touched it with my finger, the front was smooth and the back was a little rough. What surprised me was the cross section of the finished product. The fine fibers of *kozo* were perfectly uniform as if they were silk threads lined up side by side. Of course, there was absolutely no blemish or stain.

Mr. Iwano said that it was immediately after the war, in the latter half of the 1940s, that his father gradually started to let him help him make paper. However, Mr. Iwano liked to sharpen swords as a child and wanted to become a carver of printing blocks. Listening to that anecdote, I felt that I understood why Mr. Iwano's paper had become such a magnificent piece of work. He makes the paper just as if he were sharpening a sword so that there is not a speck or any cloudiness on it.

‘I don’t remember my father teaching me very much. He didn’t tell me to do this in such a way or not to do that. I think I learned little by little from watching him while I helped him. The only thing he told me was not to go and look at anybody else’s paper. It is human nature to want to do it even more when you are told not to, so I secretly went and had a look. I saw paper for *fusuma* (sliding doors) and other paper with different patterns and colors being made. I found out that the prices were much higher, even though their products contained *kozo* as well as pulp. I thought that we could also make money this way, but the bottom line is that I did not have a hand in those products and I stubbornly committed myself to *kizuki-hosho*. And here I am today.’

According to the record, the number of hand-made *washi* businesses nationwide was 68,000 in the Meiji period (1868-1912), and 48,000 in the Taisho period (1912-1926) but today it is in the 600 range. Compared to the Meiji period, there is only one out of a hundred left today. The key production areas include Fukui, Gifu and Kochi Prefectures. In Fukui, 55 manufacture paper manually today.

With respect to the Iwano family, the first head of the family was active in the Kyoho era (1716-1736). Mr. Iwano is the ninth generation and each generation succeeded to the name of Ichibei. Even in Imadate-town, there are only several families left from the Edo period.

Mr. Iwano concluded by simply saying, “I guess I am a bull-headed. I have the feeling that the paper that Paper Goddess Kawakami Gozen handed down to us is mine. Without that feeling, I could not do this at all.”

In the year 2000, Mr. Iwano was designated as an important intangible cultural asset (a living national treasure) after his father. The honor is great, but the appointment by the Agency for Cultural Affairs comes with many restrictions, and it appears that there is no follow-up once you have been appointed.

His father’s work is displayed at *Washi no Sato Kaikan* (Literally village center for hand-made paper) in Imadate-cho. The following words were in the quotations:

“I have not been making paper for gain. I have been doing it with my heart and soul;” “If you neglect your work, the paper will get angry with you (this means, What goes around comes around);” “Paper reflects the mind of the person who makes it.”

Ueji (Landscape Garden Master, Kyoto)—Giving a Spiritual Touch

Ueji, landscape garden master established about 250 years ago, manages the business in charge of natural resources like land, stone, water, trees and so forth. In some cases, they use a world of imagination to use white sand as substitutes and see how to save water and lighting ultimately emphasizing the link with business and frugality and the wisdom in careful use of natural resources.

I personally love gardens. Sometimes I visit Kyoto, a treasure trove of Japanese gardens. When I contemplate gardens that have been created based on a majestic idea in a magnificent landscape, for example, the *Shugakuin Rikyu* (Shugakuin Imperial Villa) and *Sento Gosho* (retired Emperor's palace), I feel so relaxed and placid.

Other well-known gardens include the very famous *Sekitei* garden made of stone and sand at Ryoanji Temple and *Tacchu* (sub-temple) gardens at the Myoshinji and Daitokuji Temples. These gardens seem to provoke a sense of spirituality, although it might be what one expects from the gardens.

It is also nice to see spot gardens at old traditional townhouses and exclusive, traditional Japanese restaurants. A spot garden is something like a small cosmos free of the worldly hustle and bustle. The small dimensions create a feeling of familiarity and therefore provide a sense of reality.

Japanese gardening has a long history, dating back to Asuka Era (591-710) when garden designers came from Baekje, giving form to the world of Buddhism, as seen with Mount Kailas and the Isle of the Immortals, in garden landscaping.

In this history, *Sakuteiki* is noteworthy. It was written by Tachibana no Toshitsuna in the middle of the eleventh century during the Heian Era (794-1192). This gardening manual may be the oldest book of its kind, although I have no knowledge of whether any equivalent volume exists in China or Korea.

This is from the beginning of the book, where it describes the mental attitude to gardening. First, garden designers should have an overall objective. 1. Design a garden according to the geographical conditions

and the shape of the pond. Consider and represent particular sensitivities and feelings here and there in the garden. Learn about the inherent characteristics of the natural mountains and water to create a garden while using one's imagination. 2. Bear in mind the sensitivities and intentions of the client and consider and represent the sensitivities and feelings while viewing models of outstanding gardens designed by past great masters. 3. Incorporate interesting aspects of noteworthy gardens from around the country in your policy of making gardens. Simply follow the outline of the sensitivities and feeling of the gardens.

These are the basic three rules of gardening. Briefly, garden designers should first examine the best location for creating the garden. They should achieve a natural setting while taking advantage of the geographical conditions and while creating a certain atmosphere. Garden designers should also respect good models, take into account the intention of the client and exhibit their own sensitivities. Imagine noteworthy places mentioned in poems and design a garden in a way that may vaguely remind people of the general appearance of these places, without merely reproducing interesting elements as they are.

After experience was accumulated in creating gardens for members of the nobility, many temple gardens were made in the Kamakura and Muromachi Eras. Subsequently, gardens were frequently designed for feudal lords in the Edo Era.

The Ogawa family runs Ueji, the long-lived gardening company based in Kyoto, which is said to have been established sometime between 1751 and 1764.

The heads of the family have inherited the name Jihei. Now, Mr. Ogawa Masashi has become the eleventh-generation Jihei. The seventh-generation Jihei (1860-1933) was the most celebrated garden designer of the Ogawa family. He lived from the end of Shogunate to the beginning of Showa, and designed many gardens for prominent emperor-servants and the heads of family-run conglomerates.

A Garden is Really Like the Earth

I met Mr. Ogawa at the office near Murinan (a villa belonging to a politician in Meiji era, Yamagata Aritomo [1838-1922]), and the Nanzenji Temple in Higashiyama ward in Kyoto. He started to talk about the origins of human existence. Mr. Ogawa explained why gardens attracted so many people.

‘It is because gardens have a beneficial effect on people’s minds. You smile when you see nature flourishing in a garden, with the lush greenery and the flowers thriving there. All the animals feel that way, as well as humans. Life itself originally came from the ground, the water and the air. One’s mind is benefited because one feels Mother Earth in a garden.’

‘The ground, the water and the air’ may be replaced with the mountains, the water and the sky. The mountains and the water, or *sansui*, to use a Japanese gardening term, are just like nature and the earth. “The natural mountains and the water” in *Sakuteiki* are the same.

What if this concept applies to Kyoto? Mr. Ogawa continued to explain. ‘Kyoto is a land that is open to the south, surrounded by mountains on three sides. There are mountains to the east, known as Higashiyama, to the north, Kitayama, and to the west, Nishiyama. The river runs from north to south. The southern sky is wide and bright. However, Kyoto does not have an abundant supply of water. The residents sometimes experienced water shortages in summer. A consistent water supply became available in the Meiji Era when the first Japanese canals were built at Lake Biwa (planned in 1869 and finished in 1912). The advent of the canals enabled people to establish many gardens in Higashiyama.’

Karesansui, one of the gardening methodologies, was developed as a means of coping with the deficient water supply. The garden designers represented the flow of water by employing sand called Shirakawasuna from Mount Hiei. I like this sort of story, although it may be common sense among professional garden designers. I recalled some gardens designed in the *Karesansui* style while listening to him.

Mr. Ogawa asked me if I have ever looked at this type of garden under the moonlight. I can’t really remember whether I have or not. He explained to me why they used white sand for creating this type of garden. The garden designers of the time used white sand instead of illumination, which they did not have. The moon illuminates the sandy field and the subtle reflection of light illuminates the stones and trees in the garden.

Being a garden designer, Mr. Ogawa seems like a philosopher or an artist in a quest for beauty. However, he does not like the idea. ‘I carefully tried not to behave or think like an artist when making a garden. As a garden designer, I attempt to stand in the shoes of the clients and incorporate their intention to please them.’

His thinking is the same as the description in *Sakuteiki*, stating that (the garden designers should) bear in mind the sensitivities and intention of the client and consider and represent his or her sensitivities and feelings.

What specifically does he do? ‘Let’s take the example of the placement of stones in a garden. Each individual stone has three representations: hard, calm and flat. The combination of stones with the three representations determines the world that is created.’

While placing the stones, he imagines a world that may make the client calm. The world varies according to the individual. It is as if you have your favorite color and style in clothes. You naturally choose what makes you calm.

‘For this reason, the garden designers should try to become one who can understand another person’s mind by accumulating experience and overcoming difficulties.’ Mr. Ogawa said that this thinking seemed to be essential in designing and it was also important in the construction work and maintenance. He wished that it was possible for him to be engaged in the entire process. He is such a sensible worker, isn’t he?

Mr. Ogawa, the eleventh-generation Jihei, has designed, landscaped and maintained many gardens at Sumitomo Yuhoen, Sen-Oku Hakukokan museum, Kachuan and the memorial museum of Takeuchi Seiho (artist, 1864-1942), among others. He has also designed the gardens of many private individuals.

He consistently repeated the process on site. The client is not always there. He does not necessarily agree with the client. However, he creates a world, wondering what the client would see. Keep thinking back over an image to create a world.

When I was a child, sometimes a gardener came to my house because there placed stones and planted trees in our small garden. My mother served sweets and tea on the veranda during breaks. The gardener and trainees sat down for a rest. I remember the gardener enjoyed smoking after drinking tea while looking blankly at the garden.

In reality, the gardener was not being absent-minded. He had repeatedly imagined the world of the garden that he created, as Mr. Ogawa mentioned.

This process may be related to “the outline of sensitivities and feelings” mentioned in *Sakuteiki*. Mr. Ogawa did not talk about *Sakuteiki* at all. Despite this, what he said is exactly the essence of Japanese garden designing that is represented in this manual.

Mr. Ogawa has continuously passed on the baton of gardening essentials as the family heads inherited the family business. He compared the family business to the traditional Japanese marathon relay of *ekiden*. Just like in the relay, the Ogawa family has passed on the baton of a respect for the preciousness of nature, the Japanese sense of the four seasons and the mental attitude to gardening.

You cannot convey these ideas without doing anything. At the end of the interview, Mr. Ogawa indicated the importance of the eyes and the heart. He believes that he should have a sufficient eye for beauty and a heart that helps him to understand the requirements of the tree to be planted, whether it needs water or nourishment – fertilizers such as oil scum or sardines, or charcoal for culturing bacteria. It is an endless process of learning. But in this story it is about the importance of creating spiritual spaces. It is about being mindful of bringing peace to people. And at all times to see how this work is possible by the intelligent use of resources and where mass consumption and waste are totally avoided. There could be ways to achieve this through systems and management control. But the best way is to play on the mindset of frugality! That is what I have learnt.

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Principle 8

Efforts to Embody and Generate Culture/Legacy

This is certainly one of the most significant elements of the wisdom of long-lived companies: the eighth principle which is about the efforts to embody the above mentioned seven principles into their organizations from which evolves a culture and perpetuate the legacy. How do they embody them? It is very necessary to have some devices like practice, procedure, protocol and ritual. This is one side of the coin. The other is to see how leadership works to consciously leave fond institutional memories of how everyday decisions embodied Japanese sublimity through their actions and personality footprints that inspired generations thereafter.



Morino Yoshinokuzu Hompo (Starch Maker, Nara Prefecture)—To be Strong Physically and Mentally

In the case of Morino Yoshinokuzu Hompo, starch maker established 1616, this device is to maintain the herb gardens. Every day they have to train on issues like how to sow seeds, water them, remove weeds, and collect flowers, fruit, roots, leaves, bark and buds. But this is not just like a class room training for the skills but taken beyond like a deep spiritual process to embody learning and experiences into the ability and process of the business. Many companies have imbibed this lesson.

In ancient times the capital of Japan was situated in Nara Prefecture. Therefore the outskirts of Nara is a treasure of historical memories. Ohuda is one of the towns which has such a memory. A Kudzu (Arrowroot) starch maker, Morino Yoshinokuzu Hompo is situated in Ohuda and also has many historical memories.

The ancestors of Morino are said to have served the Yoshino Court. In 1616, they moved to Ohuda and have produced kudzu starch while farming. Ohuda is a good place for kudzu production as arrowroots are easy to obtain due to the good access to the mountains and there is an abundant supply of good-quality water. They also have a severe winter that is suitable for drying kudzu starch. Morino Tosuke is the current family head and president of Morino Yoshinokuzu Hompo. His business card says that the company has been in business for four hundred years.

His business card also identifies him as the owner of the old Morino Herb Garden.

The herb garden started in the Kyoho era under the control of Shogun Yoshimune. Being interested in herbalism, General Yoshimune dispatched medical herb pickers around Japan. Uemura Saheiji came to Nara.

The local governor recommended Morino Tosuke Michisada, an ancestor of Morino, as an assistant herb collector and Tosuke started to work under Saheiji. It is estimated that these events happened in 1729. After that, Tosuke accompanied Saheiji walking in fields and mountains to collect medical herbs in 1732, 1735 and 1743.

To reward Tosuke for his contribution, the shogunate gave him seedlings of precious herbs cultured at the government's farm. Tosuke planted them in his naturally sloping backyard, and this is the origin of the Morino Herb Garden.

The herb garden is still in operation. It can be found by climbing the stairs at the back of the factory where they break arrowroots and melt kudzu starch and soak it in water. Gradient fields facing south are neatly arranged and divided into sections. When I visited the herb garden in winter, I found only red nandin berries with green leaves among the dried trees and plants. Each section has a plaque identifying the herb, indicating its effects and the time it blooms. Here are some of the inscriptions on the plaques. Wolfberry (tonicity and kidney nourishment, blooms in September). Nandin (cough /whooping cough suppressor, blooms in June). A total of 150 plant variations are cultivated in the herb garden.

Mr. Morino told me that he liked to preserve and grow these herbs carefully as they represent the accumulated efforts of his ancestors. I guess it takes a lot of effort to keep as many as 150 variations because you have to take into account the quality of the soil, irrigation, fertilizers and treatment after they bloom according to the species of medical herb. The Morinos have continued in their efforts for nearly 270 years since the herb garden was established.

Ancestor's Commandments

Keeping the herb garden is one of the family precepts. It is included in the interesting family precepts written by Tosuke III as follows: 1. As the head of the family, at the age of ten, he shall find the right teacher wherever he is to learn writing and reading for a couple of years. It is essential for him to mix with others because he is supposed to do so throughout his life. In addition, he shall learn to grow and prepare medical herbs. He shall not go to amusement areas. He shall procure money to pay expenses for the teacher, food and suchlike. A person who only spends money is inferior to an uneducated person. 2. The head of the herb producer shall commit himself to the medical herb business, which is the family business. Otherwise, he is not qualified to become head of the family. Even if he has no child, when he reaches thirty or forty years old, he should leave the business to an old family member in advance. He shall endeavor to take account of medical herbs and keep a herb garden. He should increase the populations of rare species, compensate for variations at risk of extinction and love to grow trees and plants so that they flourish. When he gets old, he shall collect drawings of plants and eliminate excessive variations. In addition, as a child, he shall start to help with and learn farming. A person

who has not learned farming is ignorant of how to deal with and cultivate trees and plants. It is compulsory to learn farming. Farming is done with a lot of labor and without arrogance. It is beneficial, especially for strengthening the muscles and bones. A person who is physically weak suffers many losses throughout life. It is important to be strong physically and mentally.

Looking at the words, “he should increase the populations of rare species, compensate for variations at risk of extinction,” I cannot help but guess the descendents must have made considerable efforts to follow it.

In 1916, the then Ministry of Education designated the herb garden as a historical site to be preserved. Despite this, no subsidies are paid for the maintenance and management of the herb garden. The small price of admission would not cover expenses.

I guess they run the herb garden using the profit from production and sales of Yoshino kudzu, their main business. At the risk of being too frank, I don’t think their business makes much profit. Most of the demand for kudzu starch comes from the production of Japanese sweets and cooking and one would not expect there to be a very high margin. In fact, I heard there are only six or seven specialized kudzu producers today.

Maintaining cultural sites such as a herb garden represents an act of corporate philanthropy that supports art and culture.

Corporate philanthropy was trendy in a way during Japan’s exhilarating bubble economy. I wonder how many corporate philanthropy activities that started at that time are still being pursued. Many business people must be too busy surviving to be involved in philanthropy. However, I think the Morino have successfully maintained their family business simply because they have preserved the herb garden.

Sow the seeds of herbs. Water the seeds. Remove the weeds. Enjoy watching the flowers. Collect the flowers, the fruit, the roots, the stems, the leaves, the bark and buds to obtain the medicinal materials. Produce medicine from the herbs (although they do not produce medicine anymore). This work involves training, and the training helps to strengthen the muscles and bones and makes one strong physically and mentally.

There is no doubt here, such a training would generate something, something necessary to go on business, like patience, self discipline, dexterity, careful consideration and so on. No one can triumph over a

person who is trained physically and mentally in that manner. What is learnt here is also that training is not about skills, it is not just about doing a task or job neatly. Training is about the process of business, dealing with people, working with teams and the whole idea of observation, reflection and continuous learning. Little details enrich life and it helps to perform better and all this done as part of the company's ongoing ethos and culture. This is how it is accumulated into one way that perpetuates over time. Institutionalization happens slowly but surely!

Okama-ya (Kettle-maker, Iwate Prefecture)— Watching What Father was Doing

In Okamaya's case, a kettle maker for tea ceremonies established in 1659 is similar. Every generation has embodied their values and techniques by watching what the seniors were doing and expressed through their experience. If the person was unable to embody the totality of such experiences and was limited to only the mechanical ways to do things he could not pass on something to his successor.

The Tea Ceremony is a unique culture of Japan. Originally the custom of taking tea came from China in Kamakura period (1192-1333) and became popular in Muromachi period (1338-1573). In the age of provincial war Oda Nobunaga (1534-1582) and Toyotomi Hideyoshi (1535-1598), the warrior heroes who had unified Japan, liked and supported tea ceremony.

In 1630's the head of the Nambu fiefdom decided to employ Koizumi Goroshichi Kiyoyuki, an iron tea kettle maker from Kyoto because the *kama* or iron tea kettle is an essential part of the tea ceremony.. Kiyoyuki was the founder of the Okama-ya Koizumi family, which remains in Morioka today.

I met with the tenth and current head, Mr. Koizumi Nizaemon in his shop near the castle. His business card bears the inscription, "Original maker of the Nambu tea kettle and Nambu iron kettle. Established in 1659, Purveyor of iron tea kettles to the Nambu fiefdom."

Mr. Koizumi's explanation started with a history of the iron tea kettle maker. "They say that the profession of making iron tea kettles started in the reign of Oda Nobunaga when the tea ceremony was becoming popular.

The feudal lords in the Age of Provincial Wars would hire their own exclusive tea kettle makers so they could enjoy the tea ceremony. However, there are only three iron tea kettle makers left in the whole country—the Onishi Seiuemon family of Kyoto's *Senke Jisshoku* (ten craftsmen who make tea utensils for the head of a tea ceremony school), the Miyazaki Hikokuro Kanchi family, who was the iron tea kettle maker of Kaga-Maeda fiefdom and my family for the Nambu fiefdom exclusively.

Incidentally, *Senke Jisshoku* consists of families who are makers of tea utensils. In addition to the Onishi family who makes iron kettles, there is the lacquerer, the Nakamura family, who makes tea caddies and other items. There are also the Kuroda family (bamboo crafts and dippers), the Raku family (Raku ware or teacups), the Okumura family (scroll mounting), the Eiraku family (hearths and pottery), the Nakagawa family (hardware), the Tsuchida family (bag makers), the Hiki family (*Ikkabari* work or lacquered paper) and the Komazawa family (cabinet makers).

This indicates that the degree to which the tea ceremony contributed to protecting and nurturing traditional crafts, or looking at it the other way around, the degree to which these families that maintain traditional crafts have supported the tea ceremony.

On the topic of the difference between an iron tea kettle maker and a caster, Mr. Koizumi says, "From the beginning, my family only made iron kettles for the tea ceremony. However, in the Nambu fiefdom, there were families like Arisaka and Fujita, who were casters. Caster is a common term that refers to the craftsmen who specialize in casting. It is a kind of military industry, and that is why there were always casters in a large fiefdom. Therefore, there was separation between the two occupations. The iron tea kettle makers made products for pleasure and artistic purposes while the casters made products for practical purposes, although they were basically making the same thing."

Originally, the land of Nambu was suitable for making ironware by using traditional tatara method. However, at the end of the Shogunate, *tatara* iron manufacturing was rendered obsolete by the Western-style blast furnace. In 1857, a Nambu clansman, Oshima Takato (1826–1901) built Japan's first Western-style blast furnace in Kamaishi, Iwate Prefecture, and Western-style iron manufacturing started. Then we saw the change of Japanese lifestyle. For the Koizumi family, these changes were the matters to overcome.

The shop in Sakana-cho is a sales area and, as it does not have a manufacturing facility, I was unable to see the manufacturing process spoken about in the book. I asked about the hardships encountered during manufacturing.

Concerns about the Independence of the Family Business

I am not the oldest son of the family, so initially I had no intention of taking over the business. Despite that, I ended up becoming involved and now it has been 40 years. I learned from watching what my father was doing and through experience. That is how I have been producing my products. Long ago people used to say that I should steal the technique. The bottom line is that you learn by experience and pass it on. However, that is not sufficient for people today. Young people today do not agree with you if you do not provide theoretical instructions. The workplace of traditional crafts is what is often referred to as a 3-K workplace (which usually means *kitsui* or hard, *kitanai* or dirty and *kiiken* or dangerous) where the last K is replaced with *kane wa moukarana*i, which means “no money made.” The result is that everybody in the industry is experiencing difficulty finding a successor for the business. Fortunately, my son is going to take over our business.

Here, Mr. Koizumi explains the essence of embodying something. What we can pass on to our successor is what we can embody by experiences. ‘I do all my work on my own. We do not have any work divisions. However, we need a minimum of three workers to progress with our tasks. Right now, only the family members are involved, so there is no problem. However, if we hired outside help, it would be difficult to continue. Some areas of our work are simple, while others are complicated. But overall, none of it is very difficult. When you try to make something good it is difficult. It is not that there is a special style of Nizaemon, but we put our signature on what we make nowadays, so we have to protect the name. This explains why we do not have any technological instructions or family precepts. Also, the old documents that were passed down by our ancestors were lost when we had some big fires in Morioka. I heard that the fire in 1884 was especially big and that it almost burned down the entire city. My family is said to have barely saved the ancestors’ mortuary tablet,’

Mr. Koizumi speaks calmly but what he says is serious. He is talking about something that has caused him anguish over the last 40 years. The

problems are common among the so-called traditional crafts—passing down the technique, preserving the standards of the technique, training and nurturing somebody to take over the business and surviving in business as a corporate entity and suchlike.

No matter how great a technique may be, it is wasted if there was no place to exhibit the results. This fact is true of the Koizumi family as well as other families. Having a place to exhibit the technique means that the items created are sold as merchandise. And for that to happen, there need to be customers who appreciate the products and who are prepared to buy them.

It is not as if the iron tea kettle for the tea ceremony is a necessity in every family home. I am not sure how many families in Japan even have their own tea room today, but one may assume that there are not so many. Apart from that, people do not buy a new kettle every year.

In the old days, craftsmen were able to improve their skills and pass them on under the patronage of feudal lords or the head of a tea ceremony school. In contrast to this, people like Mr. Koizumi who are engaged in traditional crafts are facing commercial realities without any support. The times change mercilessly and the number of customers with an eye for traditional crafts is definitely diminishing. Mr. Koizumi is not the only one who has a resolve not to be the one to end the tradition, while at the same time wondering how long it can continue.

Usami Shokakudo (Restorer and Conservator, Kyoto)—Corporate Longevity Pill

Usami Shokakudo, Restorer and Conservator of Arts having 220 years history, has a unique precept mentioning “corporate longevity pill” composed of Honesty, Consideration, Patience, Reason and Choice. These are a set of core values. It is a kind of effort to generate a set of values typically necessary of their corporate culture and their business. It shows how this takes time, sometimes even a quarter century.

Prescription for a Corporate Longevity Pill

Recently in June-July, 2002 an exhibit entitled ‘Kenninji—The Oldest Zen Temple in Kyoto’ was held at the Suntory Museum of Art in Akasaka, Tokyo. On display was a national treasure, *Fujin-Raijin-zu byobu* or *Wind*

God and Thunder God (painted on two-panel folding screens). I hastened to go and view it. This work is said to have been created by Tawaraya Sotatsu. On the right is the god of wind. The deity, whose entire body is painted green, brandishes a windbag with both hands and is floating in an airy manner. On the left is the god of thunder, whose antlered head is encircled with a headband, and who glares at the viewer with his eyes wide open. There is a beautiful contrast between the elegantly waving robe, which looks like that of a heavenly maiden, and the lively movement of the limbs.

It is not very easy to follow the tracks of Tawaraya, who is believed to have painted this piece. However, if you look at his works, including this piece, the background design painted or blockprinted in gold, silver or shimmering mica paste on paper in collaboration with Hon-ami Koetsu¹, as well as the painting on the 12-panel *fusuma-e* (painting on papered sliding doors) and the eight-panel *sugido-e* at Yogen-in temple in Kyoto, you can feel the dynamic yet delicate spirit of the Keicho, Gen-na and Kan-ei eras (respectively 1596-1615, 1615-1624, 1624-1644) during which Tawaraya was active.

These screens were said to be restored by Usami Shokakudo, a mounter in Kyoto and that it took two years starting in 1951 to complete. Usami Shokakudo conserves and restores cultural assets, including paintings, calligraphy and dyed and woven pieces, based on a traditional mounting technique and scientific research.

I learned that there is an interesting set of precepts (*kakun*) at Usami Shokakudo, so I visited the company, which is situated right across the street from the Nishihongwanji² temple in Kyoto. There I had the honor to meet Mr. Usami Naohachi, the eighth head of the family. He is presently an advisor to the company. His business cards have a drawing of *matsukui-zuru* (a traditional auspicious motif of flying crane holding pine branch in its beaks) and on the back it says in print “Restorer & Conserver of Art.” Hanging in the alcove of the reception room where I was received was a scroll with the precepts, which were written in three columns:

¹ Hon-ami Koetsu (1558-1637) is a well-known artist particularly as a calligrapher and craftsman.

² Nishihongwanji is a biggest temple in Kyoto and a head temple of *Jodo-shin-shu* sect.

First, the top column: Honesty (*shojiki*), five *ryo* (*unit for not currency but weight*); Consideration (*shian*), three *ryo*; Patience (*kan-nin*), four *ryo*; Reason (*funbetsu*), two *ryo*; Choice (*yosha*), one *ryo*.

There are more inscriptions: In the middle is the section for taboos (*kin-motsu*). Unreasonableness (*muri*), Impoliteness (*ryogai*). Begging (*mushin*), Negligence (*yudan*). Litigation (*kujī*). To pretend to know everything when you do not. Do not sleep in late in the morning. Be careful in your dealings with women. Do not drink excessively. Do not be mad to get things you want. Fear fire. All these are in a line. And the bottom column begins with “favorites (*kobutsu*).”

These lines also show the influence of the Buddha, as I have said earlier:

The more virtuous you are the better you will understand things.

If your heart follows Buddha’s way, everything becomes possible.

If you commune with the good in yourself, it will conquer your evil thoughts.

Return the favor from which you have benefited.

Apart from the desire.

Do not be weary of things.

Here is what Mr. Usami has to say:

“We undertake restoration of cultural assets from all periods. Examples include transcribed sutra from the Nara period (710-794), costumes used in accomplishments including *noh* or the tea ceremony in the Muromachi period (1333-1572) and *fusuma-e* of the Kano school in the Edo period. The materials, paints and dyes painted on or woven in each piece are all different from each other. Even the materials of the paper differ depending on where it was made or which period it is from.

“So we start with careful research on the quality of the materials used. Through non-destructive tests using a microscope, X-rays or infrared rays we identify the materials and then find materials that are identical. Next, as the first step in the actual restoration process, we carefully remove the original paper or mend worm-eaten spots. When we do this, we need to be careful because there are cases where “*shihai-bunsho*” or writings on the back of paper can be found. Also, the paper used for the repair is given an antique look with what is called a vegetable dye, something that demands quite a bit of work.”

The restorers encounter many hidden obstacles, but they must take pleasure in overcoming them.

“A glance at a restored work will tell me whether it is good or bad. It takes utmost care and attention to complete a piece of work. We approach restoration by consulting literature on the history of art and learning from the technology and materials of our predecessors.” This alone suggests the severity of work.

Dealing with cultural assets demands the utmost care. “In particular, we take every possible step with the management system and to ensure the safety of the process,” says Mr. Usami. The headquarters building, of course, is earthquake and fire resistant and workrooms are divided with iron doors to prevent damage from spreading in an emergency. In addition, the workrooms and artworks storage come with halon fire extinguishing equipment. These highlight “consideration,” “reason,” and “choice.”

The company encountered its greatest hardships during and after the Second World War. It was open for business but was doing virtually none at all. Male workers were being drafted. Mr. Usami, who was a student at that time, was forced by the Japanese military to make bubble bombs by Japanese paper called *hogoshi* with *konnyaku* (jelly-like food made with yam).

With this mindset, one of the things Mr. Usami does is to accept trainees from abroad. He accepts young restorers of cultural assets from the United States, England, France, Korea, Taiwan and other countries into his workplace and trains them. After they return to their homeland, they play an active role at art museums, libraries and universities. Mr. Usami says that he enjoys friendly exchange with them when he sometimes goes on business trips abroad. When he talks about it he seems very happy. Listening to his talk, I could not help but notice how different the ethos in the Usami family’s precepts was from “*choja-gan*” millionaire’s pill by Ihara Saikaku in his book “*Nihon Eitaigura*”.

Unlike the *choja-gan*, the purpose of the Usami family’s precepts is not to make a profit. They are what you might call *choju-gan* (longevity pill) for a corporation, the most important purpose of which is to continue the family business. The fourth Naohachi left another set of precepts, consisting of nine articles. This also is beautifully framed, of course. It starts with the article, “Know that pain is the seed of pleasure and the reverse is also true.” The most tasteful one is the second:

One, treat small matters with reason and do not be alarmed by big events.

Two, know that 90 per cent is not enough and that “enough” is not enough.

“Reason” in the first half is the same as “reason, two *ryo*,” which warns against treating small matters carelessly and at the same time advises you not to be overwhelmed by a big event. Needless to say, the second half, namely “90 per cent is not enough,” means that you must do everything to do a perfect job but as soon as you think you are perfect you stop improving. The part “enough is not enough” castigates you for your pride.

Come to think of it, the restoration of cultural assets is very much a behind-the-scenes job. It is only appreciated by experts, but the achievements of the restorer are recorded.

However, no matter how skillfully restored The God of Wind and The God of Thunder may be, the piece is a creation of Tawaraya and the restorer never receives renown. Mr. Usami speaks of a state of mind in which he wishes to remain quietly invisible. Listening to Mr. Usami I realized that good work is done only when you are apart from the desire.

Kongo Gumi (Temple Carpenter, Osaka)—Passing Down Spirits and Techniques for 1400 Years

Kongo gumi is the oldest in the research - 1400 years old temple carpenter and has a unique ritual called the cutting ceremony by using adze at the beginning of every year. By such kind of ritual, everybody in the company remind the spirit of carpenter, profundity of techniques, difficulties to master them and finally the delight to overcome these difficulties. There are such kind of processes that could evoke ones emotions, creativity tap intuition and all facets to generate a whole ambience of connections and associations to build their own culture.

An enterprise can also be described as a “going concern,” an expression that literally suggests that as usual businesses continue, even if individual members change. But this is really an assumption. In fact, most businesses find it difficult to survive for, say, decades and it is people who are all the time taking the pains to see that businesses grow and constantly feed into the identity.

Relatively few businesses in Japan rest 100 years, 200 years, 500 years and more. My research has 32 extremely venerable firms, all family businesses, that have a track record dating back to the Edo era (1603-1867) or earlier. And the oldest of the old is a business called Kongo Gumi.

More than 1400 years ago, in the seventh year of the reign of the Emperor Bidatsu (or 578 A.D.), three temple carpenters from the ancient Korean kingdom of *Baekje*³ arrived in Japan. Their names were Kongo, Hayami and Nagamichi.

Kongo's given name was Shigemitsu. He built the *Shiten-noji* temple, Japan's oldest Buddhist temple constructed by the state. It is known for the contribution made by Prince Shotoku towards its construction. It is said to have been built in the first year of the reign of the Empress Suiko (593).

This story has been handed down orally from generation to generation. No written record exists. But the *Nihon Shoki* (Chronicle of Japan in 720) does provide evidence that a significant number of engineers including Buddhist temple builders came from Baekje to Japan at that time.

Today, the art of making Buddha statues and Buddhist temples is regarded as a traditional skill. But in those days, it must have been the latest in advanced technology.

Japanese people in the ancient times were surely amazed by the shiny golden Buddha statues and vividly red and magnificent temple buildings created by the Korean technicians.

After the Shiten-noji temple was complete, Kongo Shigemitsu was naturalized, and engaged to maintain the temple. Starting with Shigemitsu, and continuing down through the generations, the Kongo family served as the principal carpenters for this temple. Today, the family runs a construction business called Kongo Gumi⁴, which specializes in the building of Buddhist temples and Shinto shrines. Mr. Kongo Toshitaka is the company's 39th president. At 77, he still works vigorously on building sites.

Kongo Gumi naturally was founded neither as a stock company nor as any kind of organization that we know today because, naturally, there were no such bodies in Japan before the Meiji Restoration in 1868. The

³ Baekje was an ancient kingdom situated in the southwestern part of the Korean Peninsula.

⁴ In 2006, Kongo Gumi came under the umbrella of a midsize general constructor but Kongo family and temple carpenters were kept as a corporation unit in this scheme.

Kongo family received two *koku* and three *to* (about 415 liters) of rice from the temple as remuneration. In this sense, the Kongos were hired by the temple. But usually, rice as remuneration was offered merely as a formality. It is presumed that the rice given to the Kongo family was given in something like that spirit. So it seems reasonable to perceive the Kongos as a business entity and to describe them as an “enterprise.” In fact, it had five to eight apprentices, although the number is believed to have fluctuated. For a reconstruction or major refurbishment, a considerable amount of money and labor was deployed. To facilitate its work, the family may have been independent to some extent.

Over the past 1400 years, the Shiten-noji temple has burnt down on a number of occasions. In fact, it is believed to have experienced seven major fires, including a fire caused by lightning and the complete destruction of the temple building because of a fire during wartime. The last collapse took place in 1945. The majority of the buildings and pagodas burnt down as a result of war. Every time it collapsed, it was reconstructed. The Kongo family always played a major role in the reconstruction.

Not only were buildings and pagodas burnt. Many items that would be considered national treasures today were also turned into ash, including Buddha statues, Buddhist altar fittings, clothing and musical instruments.

The property of the Kongo family would be no exception. The family possessed materials of incalculable value, such as architectural plans, quotations and instructions to junior family members. Naturally, many of these items were burnt or went missing and only a very few examples still exist today. Still, those that remain are of great interest. Mr. Kongo keeps them in an old leather Boston bag so that he quickly spirit them away in the event of a disaster.

The record is very detailed. For example, in the carpentry notes at the time of reconstruction of Genna (1615-1624), it covers more than 60 buildings including the *Kondo* main hall, the *Kodo* lecture hall, the *Rokujido* and the *Odaishido*, which follow the structures described above, as well as the tile-roofed mud wall that surrounded them. The cumulative total sum figures are 298,630 carpenters, 388 *kan* and 219 *moku* with a discount of 19 *kan* and 158 *moku*. In the Edo period, silver coins were used as currency and their value was determined by weight. One *kan* equaled 3.75 kg and one *moku* was a one-thousandth of one *kan*.

The values recorded in these notes relate to the wages paid to carpenters. In addition, the project would have entailed outlays on lumber, stone, roof tiles and other materials, as well as wages paid to stonemasons, tillers, plasterers, painters and other workers.

None of the remaining documents concerned with the Genna period mentions the total cost. There exists a document that records the approximate total cost including the costs of these items for rebuilding the Goju-no-to pagoda in 1802 (the second year of *Kyowa*).

At that time, the total cost was 909 *kan* and 743 *moku* of silver, including a lumber cost of 706 *kan* and 297 *moku* and 84 *kan* and 280 *moku* to pay for the labor of carpenters. Mr. Kongo says that the carpenters' wages were a reasonable level, accounting for around 10% of the total cost. This figure implies that inflation was significant during the 200-year term between the Genna period and the Kyowa period. The carpenters' pay for rebuilding the Goju-no-to pagoda soared by a factor of nearly five.

If it is assumed that the carpenters' wages accounted for 10% of the total cost, then the total cost of reconstruction in the Genna period can be estimated at about 4,000 *kan*. If one *ryo* (currency unit) was equivalent in value to 60 *momme* (which equates to a *moku*) of silver at that time, the estimated total cost was about 67,000 *ryo*. Assuming that one *ryo* has a value of 100,000 yen today, the reconstruction cost would be 6.7 billion yen in today's currency.

Asked if he would do the same project for this amount, Mr. Kongo answered, "No, we wouldn't. It would cost about twice as much."

The Path Followed by Carpenters

The principal carpenter at the time of reconstruction in 1802 was the 32nd head of the family, Yohachiro-Yoshisada. He developed a set of precepts entitled *Shokka Kokoroe no Koto* ("Understandings for Craftspeople"). The Kongo family still keeps it.

The Rules have 16 articles. It goes without saying that it is vital for carpenters to master basic skills before anything else. However, Article 1 of the family's precepts says that it is important for family members to be fully aware of the teachings in Confucianism, Buddhism and Shintoism, especially those that concern ancient practices, shrines and temples but also those that relate to commoners as well. This is very characteristic of temple carpenters.

The three prime tools for carpenters are the *Kanejaku* (“L” shaped ruler), a carpenter’s ink pot, and an adze. The Kongo family practices a rite involving the first use of the hand-held ax at the beginning of every year. Perhaps the carpenters of old could not be considered established carpenters until they learned to take good care of their tools and to fully use them, as if they were part of their bodies.

Mr. Kongo explains that at least ten years of training are needed before you can become a fully fledged carpenter and another ten years or more are needed to become a master carpenter. One of the most challenging things is to learn to read the characteristics of lumber. This requires long experience, although individuals vary in their ability to master it. He also says that will power is the most significant attribute that master carpenters need when leading their subordinates.

And craftspeople naturally require the three basic skills, namely reading, writing and arithmetic. *Practice reading and arithmetic intensively. Consider them the most important skills for craftspeople and accordingly apply yourselves wholeheartedly to training.*

The precepts include some general family rules, such as prohibitions covering actions deemed inappropriate for one’s social class, excessive drinking, dressing too loudly, quarreling with others, crying loudly without reason and cursing others. But some rules are peculiar to temple carpenters.

For example, one rule reads that it is essential to submit bids at the lowest honest estimate after meticulously examining suppliers and paying attention to market prices, to prevent an overestimation. Another rule stresses the need to meet and talk with business partners in an honest manner. *Meet and talk with those with whom you have any business transactions in an unselfish and honest manner in all cases.*

After the Meiji Restoration, the Kongo family no longer received rice as wages from the Shiten-noji temple. It also began to deal in the construction of ordinary houses.

Kongo Gumi, however, suffered several critical crises during the Great Depression and in the chaotic times during and after the Second World War. It must have indeed been difficult for Kongo Gumi and other similar businesses to survive a period when even temple bells were being given up for use as cannon balls.

Despite the challenges, the Kongo family has been doing this work for 1,400 years. It is possible to say that the Kongo family alone remains in the carpentry business, retaining the techniques of temple carpentry through the repeated reconstruction of the Shiten-noji temple. Every time the temple was destroyed by fire, the Kongo family had the opportunity to practice its skills, even though they might have to wait centuries for the next occasion.

Architectural plans are passed down as tangible documents to future generations. Actually, the Kongo family keeps a plan for the reconstruction of the Goju-no-to pagoda in the Kyowa period. However, temple carpentry techniques and expertise for cutting lumber and putting it together into a structure cannot be passed down by means of paper.

Today, it would be possible to use computer analysis and to record such techniques in the form of video images. But without doubt, skills such as reading the properties of lumber from its grain could only be developed through many years of experience.

The Kongo family has successfully passed down these skills, regarded as the most demanding in the art of carpentry, for more than a millennia by sustaining its family business.

About the Author

Prof. Haruo Funabashi graduated from the Faculty of Law, University of Tokyo in mid 1969 and thereafter joined the Ministry of Finance, Government of Japan. He rose to become the First Secretary, Embassy of Japan in Belgium and later the Director, Public Relations Office, Minister's Secretariat.

In 1985, Prof. Funabashi was the Director, Planning Division, Environmental Health Department, Environment Agency.

In 1988, from the post of Director, International Tax Division, Tax Bureau, Prof. Funabashi rose to the post of the Counselor, Embassy of Japan in France. He subsequently became the Deputy Vice Minister of Finance for International Affairs; Deputy Commissioner, National Tax Administration; Secretary General, Securities and Exchange-Surveillance Commission; and, Director General, Minister's Secretariat, National Land Agency.

In 2001, Prof. Funabashi became Vice Minister for Land and Hokkaido Development, Ministry of Land, Infrastructure and Transportation.

In 2002, Prof. Funabashi retired from government service and soon after established a think tank under the name of "Sirius Institute" that promotes initiatives in Ethics and Governance. He also serves as a visiting Professor at Hitotsubashi University Graduate School of International Corporate Strategy, Tokyo, Japan.

Prof. Funabashi has authored several books: *Landscape with the Fall of Icarus* (1983); *The Window at the Age of Isolation—Nagasaki 1569–1868* (1986); *A Journey Toward the Native Land of Japanese Economy* (2000); *Japanese Wisdom and Economic Ethic* (2001); *The Secret of Long-lived Japanese Companies* (2003); *How to Strengthen the Company in the Business Ethics* (2007); *The 36 Strategies in the Management from the Past Thinkers in Japan* (2008).

Prof. Funabashi lives with his wife Fumie in Tokyo, and has two sons.

