

Dialogue

Aiming to Contribute to a Sustainable Society Through Our Core Business

YKK philosophy of management as seen in the “Cycle of Goodness” philosophy chart

As concern for sustainability grows throughout the world, corporate management needs to take a long-term view. YKK External Director Keinosuke Ono and veteran executive Tadahiro Yoshida exchange opinions about YKK management and the “Cycle of Goodness” that lies at its core.



Tadahiro Yoshida

Born in 1947 in Toyama Prefecture, Japan. Mr. Yoshida graduated from the Keio University Faculty of Law. In 1972, after graduating from the Kellogg School of Management at Northwestern University in the United States, he joined YKK Corporation (formerly known as Yoshida Kogyo K.K.). In 1990, he became president of YKK AP Inc. In 1993, Mr. Yoshida became president of YKK Corporation. In 2011, Mr. Yoshida became Chairman and CEO of YKK Corporation and YKK AP Inc. In 2018, he became a director of YKK Corporation and YKK AP Inc. In June 2020, he became Corporate Advisor of YKK Corporation and YKK AP Inc.

This discussion was to have been held in April 2020 but was cancelled due to the coronavirus disease pandemic. Instead, it is presented here as a written exchange.

Yoshida: Dr. Ono, since 2007, you have provided many words of support in your position as YKK External Director, but today I would like to hear your perspective on YKK management, as someone who has studied YKK corporate philosophy and management principles over many years.

Ono: I'd be delighted to talk about that.

Yoshida: We have inherited, and consistently applied, a management style based on the “Cycle of Goodness,” which was the corporate philosophy of the company founder, Tadao Yoshida. First, I'd like to hear your thoughts about that philosophy.

Ono: The source of the “Cycle of Goodness” is the idea that by contributing to the world we enrich ourselves, and enriching ourselves contributes to the development of the world. I think this is a fundamental principle that transcends time and era, one which is intrinsic in maintaining and developing all economic activity in human societies. However, to follow this fundamental principle in both one's business and personal life, you need to have a broad outlook, open mind, and a long-term view. You cannot act according to this fundamental principle if you engage in narrow thinking that focuses on personal profit and a short-term outlook in which you pursue immediate gains. There are many corporations that pursue social contributions and fairness in their management principles, but it is also true that there are many cases of companies chasing only immediate profits. As a member of the YKK Board of Directors, one thing I feel strongly is that when facing very real and difficult management circumstances, YKK leaders always sincerely strive to implement the YKK Philosophy and Management Principle.

Yoshida: You are too kind. Thank you.

Ono: I think what lies behind such a corporate climate is the fact that top management has many opportunities to talk about the YKK Philosophy and Management Principle, and the company works tirelessly to constantly communicate the message inside and outside the company. As well, YKK is still an unlisted company, and the special shareholder composition in which employees, including management and holding associations, are major shareholders is another important factor in making this possible.

Yoshida: You included that point in your

Philosophy Chart, in which you do such a wonderful job of laying out the “Cycle of Goodness.” In that chart, what was the main aspect that you wanted to highlight?

Ono: In the chart, I gathered all the important elements identified by the company founder in direct conversation and speech transcripts, and organized them as a business model with the “Cycle of Goodness” at the core. The first thing I noted was the company developed financial strength through the employee's acquisition of shares through payroll and bonus deductions and the accumulation of retained profit. These financial resources are then invested actively in facilities, enabling the company to increase technological development capabilities and competitiveness and create new demand, which in turn leads to increased manufacturing, sales, and profits. Then, with an eye to long-term stability, the profits are shared with customers, partner companies, and the company itself (internal reserves and dividends), and this in turn feeds into the next phase of active facilities investment and technological development, and so on. I wanted to make it clear that the essential nature of the “Cycle of Goodness” is a long-term, dynamic process that cycles through these various factors.

Yoshida: Your chart certainly lays this out visually and makes it easy to grasp the overall flow. The “Cycle of Goodness” is a management philosophy that arose as we worked to solve challenges that we faced in the process of growing our business. In other words, it is not something created by layering theory upon theory. Rather, it is a pragmatic philosophy born of hard, diligent study and based on ongoing, real experience. I believe this is why employees with worksite experience, who are doing the hard work at the front lines of business, readily understand it.

Ono: Yes. I think it is essential that a management philosophy and management principles must be properly constructed so that they can be used to raise the company's competitiveness and contribute to its long-term development.

Yoshida: I think so, too.

Ono: You have been serving in YKK Group's upper management for many years now, so you must have faced situations in which short- and

medium-term management strategies, implemented to maintain market competitiveness in the face of immediate changes in the environment, were in conflict with the "Cycle of Goodness" philosophy, which aims for long-term development that is always in harmony with society. In such situations, as a company leader, what sort of stance did you take when making policy decisions?

Yoshida: Your question points to the issue that I perhaps focus on the most as an executive. The first thing I always remind myself is that the core must remain stable. That is, our corporate actions are based on the "Cycle of Goodness." Even in the face of tumultuous and difficult business environments, I am committed to preserving the integrity of the "Cycle of Goodness." The second thing I would tell myself is that if we are not keeping up with the times, we have to make changes. The times and the market demand many responses from corporate management, but with the "Cycle of Goodness" forming a stable core, we do not need to fear such revisions and changes. As an executive, I believe it has been my job to determine what can and cannot be changed and steer a course based on that.

Ono: I see. That is very interesting.

Yoshida: What do you see as your mission on the YKK Board of Directors?

Ono: Like other companies, if YKK is to survive in our economic society, it has to overcome the continuous and dramatic changes in the environment and win in fiercely competitive markets. This requires the company to constantly push forward while balancing the "Cycle of Goodness" core philosophy, which aims for long-term growth, against short- and medium-term strategies that deal with immediate environmental changes and market competition. A ship that is sailing for a destination in the south must sometimes steer to the east or west due to shipping lanes, weather, and other passing ships. However, when faced with extreme environmental changes or fierce market competition, for most of us the balance tends to lean toward the short and medium term. This appears to be especially so in emergency situations, such as the current coronavirus pandemic. As an external director, I believe that part of my mission is to spot when internal directors, who are responsible for the company's results, start leaning too far toward the short and medium term, and, when necessary, to suggest tilting the balance back toward the long-term outlook of the core philosophy.

Yoshida: As you say, in this current coronavirus pandemic, I think it is necessary for us to further raise awareness about what we can and cannot change. Some have pointed to the coronavirus pandemic as an opportunity to establish a "new normal." Perhaps in the business world we will also see the emergence of a completely new outlook. In times like this, we have to ground ourselves in what cannot be changed, by which I mean the "Cycle of Goodness" philosophy, and anticipate and respond to what can be changed.

Ono: I agree.

Yoshida: Tell me what you think about the increasingly large role companies are taking in building a sustainable society.

Ono: As you know, the concept of a sustainable society first entered public awareness with the release of the Club of Rome's report, "The Limits to Growth" in 1972. In the nearly half-century since then, there has been a vigorous and ongoing debate about the concept, centered on the UN, and we still do not have a clear picture of how to build this sustainable society. That said, the state of the world's environment and human societies means that we have reached a point where debate is not enough. At a 2015 UN summit, the idea of SDGs was adopted, but the actual work involved has only just begun. Companies are being asked to further strengthen their efforts in realizing sustainable societies in their core businesses.

Yoshida: Finally, can you tell me about your expectations for the future of YKK?

Ono: As we have talked about with regard to the "Cycle of Goodness," I think that maintaining and developing all economic activity in human societies has always been a fundamental principle. Even in fiercely competitive markets, if we have more companies that adhere to and practice management philosophies and principles such as the "Cycle of Goodness," the "Cycle of Goodness" will flow more effectively through societies as a whole, and it will become easier to make those societies prosper. In this sense, I think that YKK continues to have an important social mission as an exemplar. Namely, by enacting management philosophy and principles and sincerely following them, it can demonstrate that those principles lead to the long-term development of a company.

Yoshida: Thank you very much for sharing your valuable insights. I will remember them well as we continue to move forward.

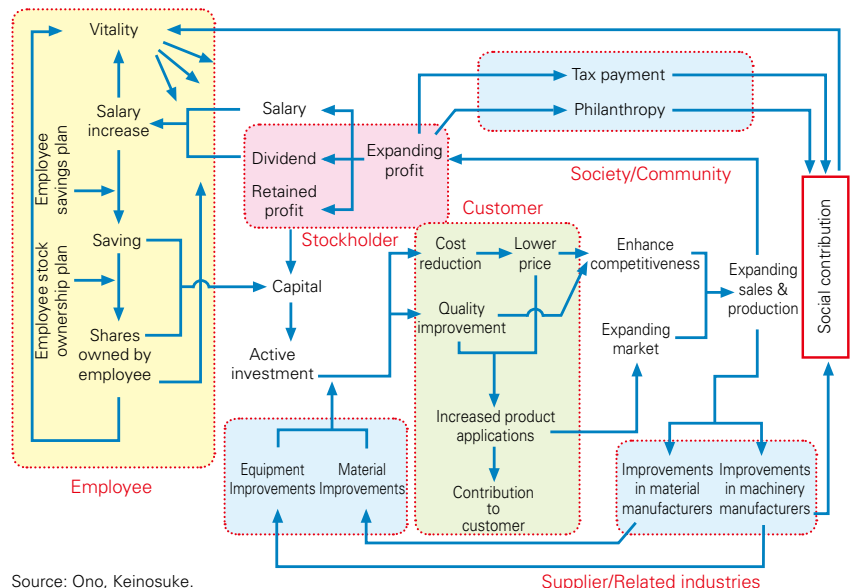


Keinosuke Ono

Born in 1940 in Tokyo. Graduated in 1963 from the Administration Engineering Department, Faculty of Engineering, Keio University. Completed doctoral course in Graduate School of Engineering of the same university in 1968. Completed the International Teachers Program at Harvard Business School in 1970. Obtained doctorate in engineering in 1983 (Keio University). In 1984, became Professor, Keio Business School (KBS). In 1997, named Dean and Principal, KBS.

In 2005, named Professor Emeritus, Keio University (to present), Dean of Chubu University's College of Business Administration and Information Science and Graduate School of Business Administration and Information Science. Named Managing Director, Chubu University and YKK External Director (to present) in 2007. Named Vice President and Professor at Chubu University in 2010. Professor Emeritus Chubu University (April 2015 to present).

▼ Chart of YKK Philosophy "CYCLE OF GOODNESS"



Source: Ono, Keinosuke. *Mission Keiei no Susume: Toward Mission-driven Management*