

*“GNH Made in Japan – Business Leadership at Work”
A Wedding Gift to His Majesty the Druk Gyalpo and the People of Bhutan
by
Mieko Nishimizu
October 28, 2011*

*Royal Institute of Management
Thimphu, Bhutan*

Ladies and Gentlemen,

It is by now well known that Gross National Happiness (GNH) is made in Bhutan. It bears the seal of your country's enlightened monarchs.

Little is yet known that GNH is also made in Japan. It bears the hallmark of a small but growing group of my country's business leaders. I want to tell you that story, today.

§

In 2008, Professor Koji Sakamoto at one of Japan's leading business schools, published a small book, with an unassuming title that can be translated as: “Companies to Cherish Most in Japan.” It became an instant best seller. With two sequel volumes out, 1.5 million copies have been sold altogether, and still counting. Such is a rare phenomenon for books in the genre of business management.

The reason? None, other than GNH.

The book is a simple chronicle of a number of companies in Japan. These companies bear no similarity in products and services they offer – hospital care, automobile dealership, artificial limbs, precision instruments, eye-glasses, medical equipment, pharmaceuticals, livestock, fresh fruits, processed food, etc., etc., etc. Some are large and well known, but many are smaller and certainly not household names – not, at least, until when the book came out.

These companies, however, share one distinct and distinguishing character: They make “happiness” their business.

Words that describe their corporate mission vary from company to company, but they all mean exactly the same thing – to enable their people's pursuit of happiness. Sound familiar? These companies align their management principles strictly to that mission, and put it into practice single-mindedly.

To be sure, they are for-profit corporations. In fact, they are all highly profitable companies. And, every single one of them has sustained dynamic growth for a number of years – some, over ½ century.

To them, growth and profits are not the end, but the means with which to go after the happiness mission and make it real. Sound familiar, too? Likewise, sustainability of

their business is not the end objective, but the singular instrument that gives the happiness outcomes security. Sound familiar, again?

In the world of business that expects people to come to where the jobs are, they take jobs to where the people are. Nearly all of these companies are located in rural Japan, or away from centers of commerce and transport. Locational disadvantage or logistical inconvenience is the challenge they manage. They treasure their relationship with local community, and value its culture, history and pristine environment as the nourishment for their business.

In the world of business where skilled and well-educated employees are hard to attract, these companies face a buyer's market. A large number of talented people apply from all over Japan today, to the ratio of several hundreds or even thousands to one vacancy.

And, in the world of business where firms resist recruiting from outside the mainstream of society, these companies go after them. They employ mentally handicapped people, physically handicapped people, very old people, and of course women too. In one, the majority of employees are mentally handicapped. In another, there is no mandatory retirement age, and a 90-year-old lady can be seen teaching welding to new recruits. Discrimination against women never crossed their mind.

I repeat. They are for-profit companies, neither NGOs nor welfare societies.

I can hear your mind whirling. Are they real...? What do they do...? Why do they do it...? How do they do it...? My thoughts exactly, when I read Professor Sakamoto's book! So, I went to see some of these companies myself.

Seeing is believing. I regret I only have enough time today to talk about just one of my visits.

§

Ina Food Manufacturing Corporation, established in 1958. Its capital is US\$1.3million equivalent. It employs about 500 people.

Ina Food, for short, is located in – where else but – Ina, a small rural town about 230km northwest of Tokyo. A three-hour train journey takes you there – two hours on an express from Tokyo, and the rest on a slow local line connecting a string of mountain communities. (If your express train is late as mine was, by the way, don't worry. The local train will wait for you. And, if you make a mad dash across the station to catch it, you might just be scolded by the local train's conductor – “Walk, don't run! The day is still young. You'll tire yourself out. We won't leave you behind!!” The region, to which Ina Food belongs, is that kind of a place...)

Ina (population 70,000) is on the rooftop of Japan. Tall peaks of the Japan Alps, which runs north-south like the nation's backbone, surrounds it. The town is nestled in a broad

valley carved out by the rapids of River Tenryu (River of the Heavenly Dragon). Ina Food's headquarters and plants sit in a pristine pine forest, surrounded by rolling fields of rice and buckwheat dotted by traditional farmhouses. It is a spitting image of Bumthang. The pine forest, 100,000m² of it, is actually a park the company preserves for the community's use, and houses among other things an art museum, a concert and events hall, picnic grounds, walking trails, and a spring of pure mountain water for which the region is famous.

Ina Food manufactures "agar". Known also as "kanten" or "China grass", agar is a gelatin-like substance extracted from seaweed. It has culinary uses as vegetarian gelatin or thickener – for soups, jellies, ice cream and various Asian and European sweets. It is also used as a clarifying agent in brewing, and as a sizing agent for paper or fabrics. Many of you would actually have seen it in your school's science labs – agar is also used as the culture medium for growing microorganism.

Ina Food began as a tiny cottage industry. Today, it has a commanding share of the domestic market, at 80%. Globally, its market share is 15%, and rising.

A striking feature of the company's performance is the fact that it has sustained growth in revenue and profitability, both above 10%, every year since its birth in 1958. Sustained growth in revenue is not uncommon. But, as some of you would know, sustained growth in profitability is rare. To achieve both, consistently over time, is unheard of. To be more precise, Ina Food's rate of recurrent profit relative to sales revenue (which, to remind, is also growing) has seen a sustained annual increase for ½ century.

§

I spent two days at Ina Food, with Mr. Tsukakoshi, its founder and Chairman. He dislikes his company evaluated by such numbers. "They are the results of having pursued other outcomes," he said. "What I am proud of are never having to fire anyone, and having raised salary and bonus every single year. Wages, mind you, are not costs. They are the income that enables employees to pursue happiness for themselves and their families. That is where the true value of my company lies, privately and socially."

For him, making happiness his business is inseparable from seriously going after what you and I would call sustainability. "Growth and profit are the means to sustain the company. Ina Food exists for employees' happiness. That means we cannot and must not leave them and their families homeless and destitute. Therefore, the company must sustain itself as a going concern," he said.

Easier said than done. So, we had a long conversation about how he goes about building a sustainable company.

First, he makes "sensing the future" his job – to sense and envision the future that may have a bearing on the company. In his words, "I make all management decisions aiming to exist as a valuable company 100 years hence. I want the employees to know this, and

do likewise – lead a full, strong and compassionate life, looking at 100 years from today.” True to his words, every room of the company’s premise has a 100-year calendar hung on the wall. One employee whom I caught gazing at the calendar told me, quite nonchalantly, “100 years? It’s not that far away. I won’t be there of course, but my children and their children will be. And, I want them all to be working here!”

Second, as a matter of company policy, Ina Food does not go after what the Chairman calls “unnatural growth”. Frequently, for instance, high-volume orders from mega supermarket chains are politely declined. “What we make and sell is our original creation. All the intangible values we hold dear to our hearts are inseparable from our product. We want to sell only to those who appreciate that fact.”

Third, that means Ina Food’s business strategy is never to compete against others in the same industry. “We do not create enemies,” the Chairman said, “Our strategy is to aim for being the only one on the market. We keep creating new values and products others cannot.”

Fourth, therefore, the company invests heavily in research and development, to “keep spreading the seeds for future growth” as Chairman put it. Agar has long been an old-fashioned product, facing mature markets. Agar manufacturing was once even considered a declining industry. Ina Food is reshaping all that. Its R&D is defining the frontier of new agar applications, in science, medicine, and cosmetics.

Last but not least, the Chairman says, “truly good companies are the sustainable ones.” As such, Ina Food’s vision is not some future snapshot of itself, but a dynamic, moving one that simply states, “Let us create a good company.” “Good company” not in terms of some deeds or numbers, but one that everyone regards as a company full of goodness.

And, Mr. Tsukakoshi is convinced that this is where the sustainability comes full circle back to making happiness one’s business. “A good company is none other than the one whose employees can touch the happiness of belonging to it,” he says. “Creating and keeping that goodness intact is my company’s responsibility to the society as a whole.”

§

Corporate Social Responsibility (CSR) tends to be described in terms of a list of activities companies undertake. For the Chairman, that is confusing activities with accomplishments. He sees CSR in terms of enabling the pursuit of happiness, simply because “unhappy people can’t possibly make good society.” He defines Ina Food’s CSR in terms of five groups of people: (1) Ina Food’s own employees and their families; (2) those of its subcontractors and suppliers; (3) customers; (4) people of Ina and its surrounding communities; and (5) the company’s shareholders and investors.

I asked him why these people. The Chairman said it is because “CSR must be seriously good for business. If not, it isn’t real and can’t be sustained”, and went on to teach me a lesson.

First, the employees and their families of Ina Food. CSR is to enable the pursuit of happiness by employees and their families. Why is that good for the company? How could employees without a strong sense of belonging, who cannot identify themselves strongly with the firm, provide goods and services that move and inspire customers, setting the company apart from all others?

Second, the employees and their families of subcontractors and suppliers. CSR is to do the same for these people too. Why bother? They are the ones who do the work my company cannot or would rather not. Small profit margins, complex and time-consuming piecework, work that incur high risks of all sorts, technology we do not possess, etc., etc. Unless these companies are also sustainable, my company won't be either.

Third, the customers. Enabling their happiness is CSR. Whatever for? Firms disliked by their customers have no future. Those who can touch their heart, give them inspiration, and move them to tears are the ones that will be around for the next 100 years.

Fourth, the community in which the company and its people live and work. Becoming a valuable presence, one that adds value to well being of the community, is CSR. For Ina's citizens, we have become their symbol, their pride. Young parents bring their newborn to our headquarters, just to say we want this baby to work here one day. People of our community attained a degree of material comfort. They expect us not just to contribute through employment and production. They want inspiration for life. That is what gives companies their lasting market value.

Last and the least, he said, are the shareholders and investors of the company. They come last, because putting them first leads to seeking short-term profitability, like going on a diet and getting on the scale every other hour. Enabling their happiness beyond meeting the financial obligation is CSR. Those non-financial obligations are delivered when and only when my company is highly regarded, valued and loved by the first four groups of people. And, increasingly, too, the market does value these non-financials.

The Chainman concluded, "It's all about the mission and sense of responsibility to these five groups of people. Management is said to be people management, products management, money management, technology management and information management. No. In my book, it's people management, people management, and people management. Others are all the means to the end. Companies that value the heart, not the material, are the ones that will thrive."

§

In Japan, and elsewhere too, private sector corporations are emerging that take corporate social responsibility seriously, just as Ina Food does. Commonly referred as "CSR companies", they essentially practice GNH as a hard business principle. And they do so because it's good for business – for the long-term sustainability of the company.

Major capital markets of the world – New York, London, Frankfurt, Hong Kong and Tokyo – have taken note and are beginning to invest in CSR companies strategically. Investment funds specializing in such firms are called “SRI” (socially responsible investment) funds. They are on the rise, not because short-term returns are high, but because they offer ideal portfolio for investors interested in the long-term security of their money.

I pointed out to the Chairman that he might actually have invented CSR 50 odd years ago, and the rest of the world is now catching up with him. He laughed heartily, waved off such an ostentatious idea, and simply said, “All I have done is to follow my common sense.”

I felt as if thunder-struck, for in these few words I heard the echo of the Fourth Druk Gyalpo...

Needless to say, I spent the rest of that day talking about GNH made in Bhutan. The Chairman must have harbored those lonesome feelings that visit a true leader, and I believe he was deeply moved and comforted knowing that he was not alone.

I dare say, the enlightened monarchs of your country would agree with the Chairman that GNH is indeed a common sense – an uncommon common sense, I must add. And, I dare hope, Their Majesties would be delighted to hear that this simple yet powerful common sense is finally at play in the hard reality of business and finance.

§

Ina Food showed me the true essence of GNH at play, at the corporate grassroots. But, it also showed me its strategic link to the security of sovereign nation Japan.

Nearly 150 years ago, Japan ended her strict isolationist policy that lasted more than two and a half centuries. Foreign visitors began to arrive – ambassadors and their wives, naval officers, scientists, teachers, doctors, engineers, traders, and just plain tourists. Their travelogues, diaries, letters, and scholarly work collectively documented a people, who were short on the material but long – very long – on cultural identity and happiness. Those early visitors called my country “*Shangri-La*.”

Alarmed by the western powers’ threat to Japan’s sovereignty, national leaders of the time set out to modernize the country fast. They chose to build a modern nation through rapid economic growth, equally rapid military buildup, and a wholesale westernization of institutions and culture, including how the people dress.

Many years hence, Japan did join among the world’s richest nations. The people gained their material comfort, driven by their insatiable appetite for more. But, they began to realize that they were falling short on their sense of contentment, or happiness.

Fabric of social cohesion in workplace, families, and communities began to break down. Strange crimes and suicides began to rise even among teenagers. Japan's youth started to lose their sense of cultural identity – they might just as well belong to London, Paris or New York.

Slowly, my people's sense of sovereignty began corroding. I began to see that slippery slope – towards what a nation could become without GNH. And, I began to fear for the future of my country, unless my people change their ways.

Today, I no longer do.

It has been several months since that visit to Ina. But, I have not forgotten the moment I set my foot into the headquarter building. One enters, without hindrance of any formal receptionists, directly into a large and open office space where scores of people are busy at work. Heads turned, faces looked up, and a chorus of welcome rang out. Welcome to our company! So glad you came! There was nothing artificial in their voices that told me the greeting was trained and orchestrated in advance. A genuine joy of welcome was palpable in their voices.

For a fleeting moment, I thought they must all be sisters and brothers of one big family, because their faces looked so much alike. The next moment, however, I saw those unmistakable stars of contentment twinkling in their eyes. And, I learned, for the first time, that the face of genuine happiness is the same no matter who you are ...

I recalled at that moment what His Majesty the Fourth *Druk Gyalpo* said, in a *kasho* nearly two decades ago: “*In Bhutan, whether it is the external fence or internal wealth, it is our people.*” In that sea of happy faces, I saw hope for the secure future of my country Japan. I was nearly reduced to tears...

§

Bhutan has taught me to think of GNH as a powerful philosophy that guides the evolution of public policy and institutions. A philosophy that sets the mandate of government as removing obstacles of public nature to enable individual citizen's pursuit of happiness.

Ina Food has taught me to think of GNH as a powerful philosophy that guides the evolution of business policy and institutions in the private sector. A philosophy that sets the corporate mandate as removing obstacles of private nature to enable pursuit of happiness by all citizens related with it.

And, I have learned one important lesson: one without the other is not enough. For the long-term security of sovereign Japan, it takes both the public and the private sector taking GNH fully on board.

Ina Food and other such companies are beginning to join hands. The dream is to see their “uncommon common sense” truly common across the entire landscape of Japan's

business world. One day, they would become a formidable political force, influencing Japan's public servants to take GNH to heart. That is my hope and the hope of those like-minded leaders with whom I work.

§

Therein lies the critical importance of private sector development in Bhutan.

Inevitably, nowadays, I find myself asking, "Can Bhutan?" Can Bhutan continue to inspire the rest of the world, driving its nation building by GNH?

The answer, to a large extent, rests in Bhutan's present and future leaders, that is you – every single one of you in this conference hall. I believe it rests in your everyday behavior that embodies GNH values.

His Majesty the Fourth Druk Gyalpo sought happiness of the people as the singular outcome of development, all else including economic growth being the means to that end. I believe His Majesty did so, not because happiness is good in of itself, but because it is critical for the security of sovereign nation Bhutan.

Mind, speech and body aligned, His Majesty the Fifth Druk Gyalpo continues that journey, devoted selflessly to that cause – to remove all obstacles of public nature so that the people are enabled to pursue happiness.

You, your educational attainment, and your brilliant career are the testimony – the fruits of Their Majesties' devotion.

But, it will mean nothing, absolutely nothing, for you, your family, and for your country, unless and until you too take on the GNH values in all that you do, just as Their Majesties have – regardless of whether you are a public servant or in private-sector business.

I leave you with the words of my good friend Zekom Wangmo, a cheese maker from Gasa who also makes happiness her business:

"People say it would have been easier just to make cheese. No. When you work for a win-win dream, for yourself, your family, your community and your country, work stops being just a job. It becomes a fun learning journey. Every moment is worth living.

So, don't let anybody fool you to think GNH is just a philosophy – unreal and complicated. It's real and it's simple. And, it's up to me to make it real and keep it simple."

It is not what you do, but how you think about what you do, that changes the world.

Tashi delek!