

# The Seven Directions of Value

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## **Abstract**

The move up to Level 5, or developing a value focused, stakeholder driven, ethical approach to business has its roots in a 300+ year old business philosophy in Japan called “sanpo yoshi.” This article extends the original 3 stakeholders from this philosophy to include an additional form more that both the World Economic Forum and the Business Roundtable have recently proposed. It then introduces short case examples that give practical insights into how Japanese companies have approached such Level 5 value co-creation with their customers, employees, partners, society and the planet. It concludes with a proposal for how the integration of digital ledger technology (DLT) and AI can be used to enable the development of a value measurement and management system that will be verifiable, transparent, and comparable across companies, industries and countries.

**Keywords:** *value, marketing, stakeholder capitalism, Japan, co-creation, service dominant logic*

## **INTRODUCTION**

In 2019 the International Monetary Fund (IMF) released its assessment of the global economy and the future prospects for developed economies were made crystal clear, advanced economies were no longer considered capable of generating perpetual high levels of growth. Due to the COVID-19 pandemic in 2020, these figures have now slipped into negative territory making past dreams of continuous growth look even more untenable. While the pandemic will surely subside in time, the problems that it has exposed have shown that most economic and business models weren't built for no growth or negative growth scenarios. As outlined by Hans Rosling in *Factfulness* (2018), economies are built to help power people from up from extreme poverty or what he calls “Level 1” where people live on less than \$2 a day, through three consecutively higher-income levels to finally achieve advanced, “Level 4” status with at least \$32/day to spend. The challenge of today, as outlined by the United Nations

Sustainable Development Goals (SDGs) is on empowering those on Rosling's Levels 1-3 to achieve Level 4 status. While this is truly the defining set of challenges of our time, what happens when we are able to ultimately achieve these goals? Is there a Level 5 to aim for beyond Level 4?

## **NEW SOURCES OF GROWTH**

In 1970 Milton Friedman famously posited in the *New York Times* that the fundamental purpose of a corporation was to make profits:

“In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and

those embodied in ethical custom.” (Friedman, 1970)

The endorsement of these thoughts across Western business practices ushered in an extended period of growth at the expense of all other important stakeholders. Cue the pictures of Gordon Gekko, “greed is good,” and all the rest. But fast forward two decades to when Weinberger and his co-authors announced the news of a different way of thinking about businesses where companies and their shareholders weren’t the only ones in power. As they explained in Cluetrain Manifesto, others now had a seat at the table, “We are not seats or eyeballs or end users or consumers. And our reach exceeds your grasp. Deal with it” (Weinberger, 2000).

And with that, the bottom fell out of trust in business. To understand the extent of this decline, Edelman found in June 2002 that only 40% of Level 4 customers believed businesses would do “what is right” (Creevey, 2004), which evolved to a more militant stance in 2017 when 57% of global respondents said that they would “buy or boycott a brand based solely on its position on a social issue” (Monllos, 2017). This reality led 58% of global CEOs to say that they were “increasingly worried about the declining trust in their brands” (Moritz, 2017), to which Accenture reported that 54% of companies in their 2018 survey “experienced a material drop in trust and conservatively lost out on \$180B in revenue.” (Long, Roark & Theofilou, 2018). To cap off this dramatic shift, in 2019, Fleishman Hillard Fishburn (FHF) found that an incredible 93% of millennials wanted “to buy from companies that have purpose, sustainability and environmental stewardship built into their ethos” (George, 2018).

Helping to further speed up this shift of businesses profitably embracing a wider set of stakeholders, Gilbert, Houlahan, and Kasoy launched B Lab in 2006, a certification authority that as of October 2020 has evolved into a movement of more than 3,500 certified B Corporations in 74 countries around the world. Under the B Corp framework, businesses are legally required to deliver value for other key stakeholders beyond shareholders, which can include not only their customers, but also employees, partners, society and the planet. When

the Business Roundtable formally announced the end of the “shareholder first” era, they officially elevated the roles of these other stakeholders in a business to a level equal to that of shareholders for non-B Corp companies as well:

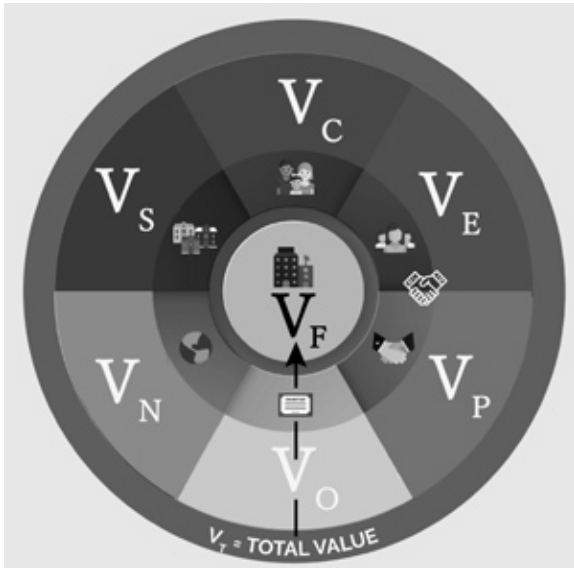
“Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.” (Business Roundtable, 2019)

Signed by more than 180 top CEOs, the business world seemingly shook with this new announcement, until two days later when the leaders of the B Corp movement published a withering challenge to these same executives to “put up or shut up” by making their commitment legally binding as the boards of public companies actually only have a legal responsibility to increase shareholder value (Gilbert, Kasoy & Houlahan, 2019). The exclamation point on this statement was the full-page advertisement that the B Corp movement placed in The New York Times on August 25th extolling The Business Roundtable executives to “get to work.”

## THE POTENTIAL FOR EXPONENTIAL GROWTH AT LEVEL 5

That “work” is centered around value creation as it applies to each and every stakeholder highlighted by the Business Roundtable and shown in Figure 1 including: (1) customers, (2) shareholders, (3) employees, (4) partners, (5) society, (6) the planet, and (7) the decision-making company/firm in the center. For the rest of this article, I’ll call these “the seven value actors” as each one acts independently in how it experiences value and works to achieve higher levels of it.

Unlike financial growth figures, measures of non-financial value can grow exponentially when we shift our focus to measuring how individual, relational, social and environmental actors experience and achieve well-being. In their development of Service Dominant Logic (2004), Vargo & Lusch highlighted Aristotle’s key distinction between Exchange Value and Use Value. Financial and economic value they explained, is focused on exchange,



**Figure 1: The Seven Value Actors**

making value a transactional phenomenon that can be quantitatively measured and observed. Whereas use value is the (much more difficult to measure) emotional value we receive in the use of, or interaction with a product, service or company. Use value encompasses ideas of value that span across concepts such as satisfaction, fulfillment, and joy. When products or services “wow” us, the results can be positively breathtaking, and conversely, when they fail to do so the results can be devastating.

If we take a step back and look at the multiple efforts currently underway globally, ranging from the Global Reporting Initiative (GRI) to Integrated Reporting, The Capitals Coalition to B Corps, it's clear that many of the world's leading companies and decision makers are propelling themselves and their organizations up and away from Level 4 thinking to create a new value-focused reality at Level 5, which revolves around non-financial value measures rather than pure profits alone.

#### SANPO YOSHI: THE SOCIAL DNA OF JAPANESE BUSINESS

While the West is now on the cusp of this transformation, this evolution in thinking actually took place in Japan in the 17th century and the impacts of this shift continue to create powerful examples of sustainable value creation even today. With their

roots dating back to 13th century Japan, the Omi Merchants of the 17th century established complex trade routes through “foreign” countries (within Japan) from their base in what is now Shiga Prefecture. The Omi Merchants made it their creed to do good as they went about their business, which was codified into what they called “Three Directions of Good” or in Japanese “Sanpo Yoshi” which included:

- Urite Yoshi (売り手よし) = Good for the seller
- Kaite Yoshi (買い手よし) = good for the buyer,
- Seken Yoshi (世間よし) = good for society.

Unlike other merchant groups, the Omi Merchants practiced a level of social responsibility that was unprecedented and created real levels of trust and admiration as they went about their daily business while simultaneously collecting donations for local shrines, supporting the building of schools or local education facilities and even were known to pay the local taxes for residents along their trade routes who were unable to do so. With this socially conscious approach to business, the Omi Merchants grew to become some of the wealthiest and most famous of all merchant groups within Japan (Moriguchi, 2001).

As this mindset proved successful in building trust over the long term, it shouldn't come as a surprise that these centuries-old concepts are at the heart of the mission statements and business philosophies of some of Japan's leading global companies including Omron, Panasonic and Eisai Pharmaceutical. To understand just how powerful these concepts can become in practice, while Japan accounts for less than 2% of the world's total population, it is the home of 56% of the world's companies that are 200 years old or older (Lufkin, 2020). Placing value at the heart of a business not only has the potential to lead to long term success, but also can help everyone involved within that company find a higher purpose for their work. These are not just in frilly words, or empty promises, but true human-level value that makes real and long-term impacts on those involved with that company's operations.

Take for example, Panasonic's Founder Konosuke Matsushita's 1978 perspective on the purpose

of a business,

“All managers must constantly ask themselves: ‘why is this company necessary?’ And the answer—that the enterprise exists to benefit people and improve society—should be the same for all businesses that are involved in supplying goods and services. A manager who fails to recognize this basic purpose of management will never be truly successful. Some people believe that the whole purpose of an enterprise is to make profit, but while profit is an essential part of business, it is not the only part. Profit is only important as a means of achieving the ultimate goal— that of improving the people’s standard of living. To me it is simply unthinkable for a public facility that produces goods and employs a large number of people not to make a positive contribution to society.” (Matsushita, 1978)

To hear K Matsushita’s views on the purpose of a company sounds incredibly prescient today, especially as these words were written at nearly the exact same time as Milton Friedman presenting his shareholder-first views.

As the global calls for value-focused corporate leadership and governance grow louder, the centuries long impact of Sanpo Yoshi philosophy on value creation in Japan has given rise to a number of unique examples of how these principles can be applied across each of the seven value actors while simultaneously creating profitable, long-term success. Since so much has already been written about how value is created for and by companies ( $V_F$ ) and their shareholders ( $V_O$ ), let’s skip over how Japanese companies are creating value there and focus instead on the remaining five value actors including customers, society, nature, partners and employees.

#### VALUE FOR CUSTOMERS ( $V_C$ )

It’s critical to begin our discussion of Japan’s embrace of non-financial value creation with the customer, the mindset of service is built upon this relationship between companies and their

customers. In the Japanese lexicon, the customer is not “the boss” or “king” but is *kamisama*, or a god. This is not an insincere catch phrase, nor a splashy, brand-promotion pitch, but instead is a sincere and deep appreciation for the customer as someone to serve in an unequal and non-democratic way. Without the pretense of equality between buyer or seller, Japanese companies can focus all their efforts on finding new ways to delight their customers, developing and unpacking an endless stream of new innovations across every customer touchpoint to do so. As Johansson & Nonaka explain, the results of this transformation in thinking about customers unleashes unlimited value-creation opportunities:

“Once the seller’s insistence on equality with the buyer is given up, a new mindset naturally emerges: The buyer feels more satisfied and more willing to cede power to the seller, and to let the seller’s often superior knowledge guide the choices. After all, the king (or even the *kamisama*) does not know everything. The seller can assume an advisory role, forget about maintaining self-pride, and really serve the customer. When the customer recognizes that there is genuine assistance forthcoming, not simply cheerfulness and faked friendship..., the customer will also be more forgiving” (Johansson & Nonaka, 1996).

As this mindset is at the heart of Japanese business practices, there are countless examples that could be used to illustrate how customer value can be created by an empathetic focus on solving real people’s problems in new, never before imaged ways that spark “oh wow” moments. Customer value creation isn’t limited to specific markets or industries, to business-to-business or business-to-consumer interactions but occurs anywhere and everywhere there is an exchange of products or services. One industry that typically doesn’t make the headlines in terms of customer-focused value creation is the agricultural equipment market. But even here, when the customer value mindset is applied, it can spark breathtaking innovations. For example, in an effort to turn around significantly declining sales figures, Canycom’s 3rd generation president Hitoshi Kaneyuki gave his sales people video cameras and asked them to interview their customers face to face. With a salesperson joining

them on their farms, these customers could walk them to the sharp curves that the Canycom machines weren't been able to navigate, or bend down under the low-hanging fruits that the Canycom equipment couldn't drive beneath to explain the actual problems that they were facing. As Kaneyuki explained, "By visiting them, we realized a lot of things for the first time." (Otani, 2019, 7:22–8:14). One of these things they realized was that farmers considered mowing to be something they had to do but found to be incredibly boring and not at all fun. "What if," Kaneyuki asked his team, "we could make a mower that you could just cruise on?" And the answer to this question became their now famous, Mario-inspired go-cart mower, one of Canycom's and the entire industry's most popular products (Otani, 2019, 10:42–10:52).

"If you just address the customer's complaint, they are not going to be wowed. If you just make them what they want they'll just say 'yeah, that's what I wanted all right.' So it's important to add a little something extra. Add a sense of playfulness in various ways. You have to think of creative ways to apply ideas. See how something can be used in a fresh way." (Otani, 2019, 12:00–12:24).

The key to customer value creation then is a commitment to solving real, tangible problems in ways that create "WOW!" experiences and lead to empowering customers to be able to accomplish new goals that had been previously unattainable. At the very least, a customer-focused approach requires an honest, sincere commitment to trying.

#### VALUE FOR SOCIETY (V<sub>s</sub>)

When Jin Montesano, Chief Public Affairs and People Officer, at LIXIL, joined the company, it was apparent that LIXIL was still struggling to clearly articulate who it was and what was its real mission or purpose. The company at the time was weighed down by a confusing array of missions, visions, values, core philosophies, and other statements of purpose. She and her team decided to organize workshops and listening sessions with managers and employees across departments and ranks to identify a more meaningful statement of purpose that captures at the core of what LIXIL does.

Taking on K. Matsushita's challenge, they asked

themselves why LIXIL was specifically in business. Why should LIXIL be the company to steward these renowned brands such as American Standard, Grohe, INAX and TOSTEM? Beyond having come together through mergers and acquisitions, was there a higher reason for this company to exist? Eventually, LIXIL realized that its higher purpose was simple yet powerful: that every person on the planet dreams of a better home. 'Through superior products and services, LIXIL makes better homes a reality for everyone, everywhere.' When they put their purpose in the context of the UN's Sustainable Development Goals (SDGs), LIXIL's active commitment to tackle the global challenges facing safe sanitation (SDG6) made complete sense. Through the development award-winning SATO social business, LIXIL is now working to support the 1.6 billion people on the planet who today still don't have access to basic safe sanitation. For LIXIL to fulfill its higher purpose of making better homes a reality for everyone, everywhere, it must also make products that work for the 1 in 3 people in the world living off grid without access to a basic toilet.

In 2007 two engineers at American Standard had received a small grant from the Bill and Melinda Gates Foundation to develop an affordable off-grid toilet solution that met the UN criteria for basic sanitation. With over a billion people practicing open defecation, and in mostly rural areas where sewer systems are non-existent, the negative economic, health, and social impacts are significant, especially for children. Basic sanitation is achieved when a toilet solution is able to separate human contact with human waste and be affordable enough to install in even the poorest of communities.

Why is this so important? As Montesano explained,

"Research has shown that improvement in sanitation has a positive social impact that goes far beyond the basic improvements in health and hygiene. For example, there is a direct link between the provision of basic sanitation and participation in education of young girls. When a young girl starts to menstruate and doesn't have access to a toilet at school, a significant problem in many



countries and especially in rural villages, many times she will choose to not go to school that week, which leads to her falling behind in her studies. Not being able to keep up with the class leads young girls to eventually drop out of school. With proper sanitation in schools, girls can continue to get an education and the impact of this is immeasurable.”<sup>1)</sup>

Among their industry peers, LIXIL appears to be the to the only company tackling SDG6 goals with an innovative and affordable line of toilet products and solutions specifically aimed at Level 1.

Social value hinges then on integrating larger social issues with the overall capabilities and resources of modern businesses. Whether a business chooses to tackle an entire SDG like LIXIL, or simply focus on making their local community better because of its activities, at Level 5, social value gains bring immeasurable benefits to individuals, communities and in LIXIL’s case, one third of the entire planet.

#### VALUE FOR NATURE (V<sub>N</sub>)

In 2005, when Patagonia needed to find a partner to help in the recycling of its polyester clothing, it turned to one of Japan’s leading chemical companies, Teijin. Together they developed “Eco Circle” polyester products that are sent to Teijin after customers return them to a Patagonia store for recycling. Once they arrive at Teijin, they are then put through a unique chemical treatment process that returns the polyester fibers to their original chemical form. This recycled polyester is indistinguishable from newly made polyester and can therefore be reused in future products rather than being sent to landfill or incinerated. Even when calculating all transportation costs, the net results have shown significant reductions in the overall carbon footprint for these Patagonia products (Japan for Sustainability, 2005).

If it seems too much of a stretch to imagine a chemical company like Teijin working to create incremental value for nature, it may help to put this example in context of a towel manufacturer in Japan

to understand how companies that are operating in even the most harmful industries to our natural environment are working to minimize or erase these impacts. Not only is cotton one of the most chemically intensive crops to grow, but the washing, dyeing and manufacturing processes also require harsh chemicals and intensive energy use. But one company in Japan has not only found a way to create luxurious organic cotton towels but they are able to make these with nearly zero environmental impact.

Ikeuchi Organic was the first company in its industry to become ISO 14001 (environmental management system) certified in 1999, the same year that they transitioned to the use of low-impact dyes, a dyeing method for fabrics that has even lower environmental impacts than the use of natural dyes. They followed this in 2001 with Class 1 certification from Oeko-Tex, which meant that everything in their products was 100% ecologically harmless, as well as ISO 9001 certification that confirmed that they consistently provided products that met both customer and regulatory requirements. In 2002 they became the first company in Japan to be 100% wind-powered, and in 2004 they introduced a bamboo-based rayon towel that is built from bamboo fibers rather than organic cotton, in order to find a more environmentally source of materials. They’ve also championed a global move towards Fair Trade sourcing of organic cotton and launched their own Nuveau Organic cotton brand in 2011. Since organically grown materials are at the heart of their philosophy and approach to business, they even changed their original company name from Ikeuchi Towels, to Ikeuchi Organic in 2014. Through until today, they continue to be a leader in teaching other companies in Japan how to create sustainable, profitable businesses that embrace value for nature as well as other key stakeholders within their value system.

While few if any business activities generate positive value for nature, a Level 5 focus requires companies to understand that natural capital is a vital resource to be calculated, and measures set in place to bring overall environmental impacts from their overall operations as close to zero as possible.

**VALUE FOR PARTNERS (V<sub>P</sub>)**

Understanding one's role within a larger value system of partners is also a key element of a Level 5, value-focused company. This understanding and respect for collaboration continues to power some of Japan's oldest companies to not only survive, but to thrive for multiple generations. For example, 330 year-old Nishijin Weaving company HOSOO, has fully embraced this idea of value for partners since its foundation. Understanding their place within a larger ecosystem of thread makers, spinners, dyers, etc., even as the overall kimono market had contracted more than 80% from its peak in the early 1980s, 11th generation president Masao Hosoo reinvented their business as a globally competitive, high-end fabric maker. To do so, he needed to destroy his company's old looms which created material that was too small to compete internationally, and working with Japan's top "shokunin" or master craftsmen, he developed unprecedentedly oversized looms for large-scale Nishijin fabric production. Through these efforts, today Hosoo is the only Nishijin weaving company that can service top international clients such as Chanel and Louis Vuitton. Hosoo continues to innovate through applying AI and even genetic engineering of silk worms to create breathtaking new fabrics built on the 1,000+ year history of Nishijin weaving but modernized to appeal to even the most cutting edge artists, designers and brands. Because of this, not only has Hosoo created new value for his customers, company and employees, but also he has injected new life and vitality into his previously dying partner network.

When approached by the president of a weaving company within HOSOO's network who was considering closing his family business due to the rapidly changing technical requirements in the industry, Masao Hosoo could see the value in investing into this company's facilities and retaining their core staff. Rather than letting this company die and lose the skills of the artisans that it employed, Hosoo bought the company outright and installed its former president as the head of production. As of today, HOSOO is reinvesting in the business as well as hiring new artisans from the local area, who if they are successful, will help power the HOSOO business forward for many future generations.

According to Masao Hosoo, "there is still a long way to go to see the fruits of this decision, but I believe this is a risk worth taking."

According to Masataka Hosoo, Masao Hosoo's son and now the 12th generation president of the HOSOO business,

"When we weave fabrics, we use threads with different textures, colors, and characteristics. And these differences are essential in the weaving process. Our job within this process is to bring all of these elements together into a finished product. There is a Japanese word for this—kumu, which means to unite or integrate different elements together. As a weaver, we understand that there are so many steps that come before us that are managed by shokunin and experts in areas that are outside of our own capabilities but are essential for our finished products. Without them, there would be no fabrics, and because we are at the end of this long chain of experts, it is our responsibility to create the finest possible work from what they provide to us and to find new markets and opportunities for these works in order to keep this entire system healthy." (Sugai, 2018)

This commitment to co-creating partner value has led HOSOO to partner with some of the world's top brands, artists, designers and even technology companies. Working together with Panasonic they have jointly created audio speakers whose fabric responds to touch, turning on and off with an actual swipe of the hand rather than a switch or app, and have even collaborated with one of Japan's top camera manufacturers to make high-end camera cases made from Hosoo fabrics.

Creating partner value at Level 5 requires an understanding not only of your individual company operating independently, but how those independent actions affect and influence both your upstream supply chain and your downstream distribution partners. A responsibility-based focus on helping all of these partners thrive from your company's actions will not only create new sources of value for your partners but could also power your company forward for generations.

## VALUE FOR EMPLOYEES (V<sub>E</sub>)

When the company's focus and purpose shifts to its people, the tone and approach to how it treats those who work there also fundamentally changes. Canycom found that its customer value focus created a strong sense of pride and achievement throughout all workers in their company, as they could see the impact that their work was having on the farmers whose problems they were solving. LIXIL's Sato Toilet Business President Jack Goto similarly lists employee pride as one of the three major impacts that their shift to creating a social enterprise has had. Ikeuchi Organics put these ideas into a powerful statement about how their company operates:

"At the root of IKEUCHI ORGANIC manufacturing is human energy. These products are created by people. People who are our partners, from farmers growing organic cotton to workers in the factories... From the sweat of the workers to the smile of retail staff, it's all part of the fabric of our products." (Ikeuchi Organics, 2020)

Even large multinational companies like Panasonic have been working to reshape how they create a more engaged workforce and empower them with new skills and capabilities to succeed in the future. In 2016, the Panasonic Appliance company launched the "Game Changer Catapult" whose mission is to empower anyone in the company to create next generation home appliances and dedicate up to 20% of their paid work time to this project. For example, Marina Kaji and Sayaka Matsuo came up with the idea of a Kajitrainer, an apron-like belt that gives exercise and movement instructions as the wearer does housework. Even though they were only in their second full year at Panasonic, through this program both creators have had a chance to pitch this idea at innovation-focused events like Slush Tokyo 2019, increasing their entrepreneurial spirit and ability to empathize with new types of customers outside of Panasonic's typical product portfolio. According to Masa Fukuta, Director of Game Changer Catapult (2018), participating in this program builds an important mixture of empathy, creativity and leadership which are

exactly the skills that they believe are critical for leaders of the future.

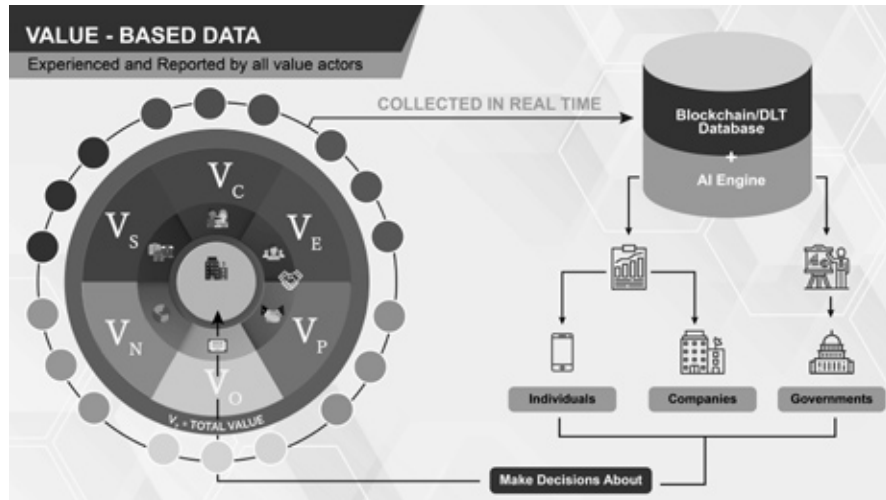
A focus on employee value transcends job titles, job function, race, gender or age, and is becoming increasingly critical for building value across all other value actors. By nurturing employees, and helping them to grow not only in their specific job skills, but as human beings as well, value-focused companies empower their staff with the skills and capabilities they need to identify and create new value across all other value actors.

An important side note to make here is that this way of thinking about employee value exists in parallel with those Japanese companies that have chosen to instead embrace a "profit at all costs" mindset. This means that while there are a number of Japanese companies who choose to take employee value seriously, there are sadly many others that do not. Because of this, even today news headlines continue to be filled with stories of Japan's disengaged workforce, gender inequalities, power harassment, long working hours, and even the unique to Japan term of "karoshi," or death from overwork. Many Japanese companies have a lot of work still to do, but as these examples show, many others have embraced and continue to promote the ideas related to constantly improving the wellbeing of their employees.

## MEASURING AND MONITORING VALUE

These mini case studies are just a few of hundreds of examples that I could have shared related to Level 5 value-focused efforts focused on one or many of these seven value actors in Japan and globally. While countless examples exist, in looking carefully at every value-focused assessment framework that we could collect, what's still missing is a system or framework to collect and organize these different non-financial experiences of value in ways that are (1) verifiable, (2) transparent, and (3) comparable across companies, industries and countries. For example, Ikeuchi Organic clearly prides itself as sourcing organic cotton through Fair Trade. But aside from the promises they give, how can we truly be sure that the cotton they're using is actually organic, and that the farmers who grew and collected it truly were paid a fair wage? And if we





**Figure 2: Measuring and Reporting on Value**

wanted to compare Ikeuchi Organic against other towel companies, how could we scale the differences between their overall value impacts?

As case in point, let's use the example of Coca-Cola, a company whose commitment to social responsibility is unwavering if we listen solely to Corporate Responsibility section of their website:

“Focusing on a World Without Waste, we aim to collect and recycle a bottle or can for every one we sell and make 100% of our packaging recyclable.” (Coca Cola, 2020)

But if we compare these words to some recent news announcements, we are faced with a different reality. For example, on September 18, 2020 Forbes published a story outlining how Coca Cola was found to be the world's largest plastic waste transgressor:

“A recent audit on plastic trash around the world concluded that Coca-Cola was the largest plastic polluter. The audit, conducted by Break Free From Plastic, consisted of 848 cleanup events across 51 countries and six continents. In total, 72,541 volunteers combed through beaches, city streets, waterways and their neighborhoods picking up pieces of plastic. The organization's volunteers collected a total of over 475,000 pieces of plastic waste around the world. Of the

plastic collected, the No. 1 brand was from Coca-Cola, with 11,732 items collected.” (Nace, 2020)

In a Level 5 world that is built on creating, measuring and managing value across these seven value actors, a trusted, transparent, real-time and verifiable mechanism for collecting, documenting and reporting on these lived experiences across all seven value actors is necessary. The system that is put in place to account for and report on value then must not be reliant on just the company that creates a product, service or experience, but instead must include the truth as experienced by all other value actors. Anything less than this will allow for “value washing,” or the manipulation of value-focused data to prioritize the value experienced by one actor versus another or all others.

One of the two fundamental technologies needed to create such a system is blockchain or the larger distributed ledger technology (DLT). Because the system for measuring, monitoring and reporting that I've outlined above will generate billions of data points every minute, the distributed ledger or blockchain solution must be partnered with an AI engine that will in real time sift through the terabytes of information that are generated to validate, calculate and report on the overall value created and destroyed in light of the goals set in place for each value actor.

In fact, the progenitors of such a system already

exist today. Blockchain and DLT have already been applied to validate the trustability of products as well as individual human beings, for example China's Social Credit System and IBM's efforts related to the global diamond industry. In terms of the application of AI to real-time big data such as we've been discussing, the S-RAY database from Arabesque applies an AI engine to sift through the countless articles that are published each day on the world's top companies to generate real-time ESG scores.

The next evolutionary step for such a system then will then be to apply DLT together with an AI engine focused on all seven value actors. In such a system, not only will companies report on the value that they create but so too will their customers, employees, partners, community members and even the planet (through data collected by remote motes and sensors). This data will be collected, organized and made available to anyone to access in real time at any time a decision about that company, such as whether or not to buy their product, or to accept a job offer there is made.

## THE WAY FORWARD

As overall economic growth slows in advanced economies globally, a new way of thinking about growth and long-term sustainability is needed to help empower continued growth across non-financial measures of value. The key to implementing this "new way" may not be new at all, but in fact, be based on a 300-year old social business philosophy that has been at heart of countless sustainable businesses in Japan for multiple generations.

However, not all Japanese companies operate with this basic philosophy, and in fact many have prioritized unfettered growth over this value focused approach to business. Even as the original Sanpo Yoshi philosophy may be new non-Japanese companies, it is also essential for companies in Japan that embraced a purely profit-focused mindset to stop, reevaluate and reconsider whether these tenets could also hold the keys to their long term success as well. Many companies that were founded on these principles continue to operate successfully today and they and many others who have followed them have created countless examples for how to

create such types of exponential value growth that profit-focused analysts are still unable to see.

As growth continues to slow and the long-term effects of the global COVID-19 pandemic continue to be felt, leaders across business and governments must choose between manufacturing new problems and crises that will temporarily spark further growth, or instead to switch to a value-focused mindset that can unleash unprecedented value gains across non-financial metrics.

This shift to increasing value for all seven value actors will require a formal codification of how value will be measured across each of these and will form the foundation of how companies, industries and perhaps even countries compete in the future. Whoever ends up defining this framework, the move to Level 5 will be characterized by (1) a clear commitment to value creation across all seven value actors, (2) the real-time collection and reporting of value creation and destruction activities, (3) the dissemination of this information openly so that (4) all members of that ecosystem can make informed decisions. This information will be the foundation upon which purchase, investment, employment, partnership and regulatory decisions will be based, and success will hinge upon co-creating increasing levels of value, and therefore improving the overall well-being of all members of a value system. This is the challenge facing any individual, company, or government aiming to achieve Level 5, and it is likely to reshape the foundation of how we measure and manage individual, socio-economic growth for generations.

## NOTES

- 1) Jin Montesano, Skype interview by author, September 25, 2019

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