

# The pioneer of CSR who challenged the realization of labor idealism: A case study of Magosaburo Ohara

Masaatsu Takehara (Faculty of Sustainability Studies, Hosei University, masaatsu.takehara.17@hosei.ac.jp)

Naoya Hasegawa (Faculty of Sustainability Studies, Hosei University, hase@hosei.ac.jp)

労働理想主義の実現に挑んだ CSR の先駆者—大原孫三郎に学ぶサステナビリティ経営—

竹原 正篤 (法政大学 人間環境学部)

長谷川 直哉 (法政大学 人間環境学部)

## 要約

本稿では、明治期に倉敷紡績とクラレを経営し、事業と社会貢献活動の両面において大きな成果を残した企業家として高く評価されている大原孫三郎を取り上げた。大原は労働理想主義を経営理念として掲げ、従業員のモチベーションの向上が経営の質を高めることを確信して経営を行い、倉敷紡績とクラレが日本を代表する大企業に発展する基礎を作った。また、中国銀行や中国電力の設立にも深く関与した。大原は、様々な事業を行いながら社会問題にも深い関心を示し、学校や病院を設置し、従業員や地域コミュニティの人々の幸せの実現に尽力するとともに、大原社会問題研究所等の研究機関を設立し、科学的な知見に基づく社会課題の根本的な解決を目指した。更に地元の倉敷に日本初の西洋近代美術館となる大原美術館を開設し、美術の保護・振興にも尽力した。大原のこのような取り組みは、SDGs 等の社会課題の解決に事業を通じて取り組むことが求められている現代企業の経営を先取りしたものであった。

## Key words

Magosaburo Ohara, labour idealism, Kurabo industries, SDGs, CSR

## 1. Early life

### 1.1 A series of setbacks and awakening

In 1880, Magosaburo Ohara was born as the third son of Koshiro Ohara, the first president of Kurabo Industries in Kurashiki City, Okayama Prefecture. Magosaburo's grandfather was a prominent millionaire in the region, a landowner who ran various businesses such as kimono fabric, cotton wholesaler, rice wholesaler and financial institution. Magosaburo's father Koshiro was an adopted son-in-law in the Ohara family.

As both the first and the second son passed away early in the Ohara family, Magosaburo became an heir who was raised care-

fully. After graduating from Koto shogakko (higher elementary schools), he entered Shizutani School which the Okayama-han (feudal clan) had established and he began dormitory life. However, he left the school within 2 years and entered the Tokyo Vocational College (the school later became Waseda University) in 1897. As he was not interested in studying, he became absorbed in idle amusements with his friends. However, Magosaburo was very interested in the mining pollution incident at the Ashio copper mine, which was a big social problem in those days, and he actually visited the Ashio copper mine with his friends.

As a result of continuing a life of debauchery, he accumulated a 15,000 yen debt. In those days, the starting monthly salary for a high civil servant, after passing an entrance examination, was about 50 yen. Being the son of a landowner, Magosaburo's sense of the value of money was very distant from ordinary citizens.

Koshiro was very worried about his sons' lifestyle, so he ordered Kunisaburo, his son-in-law, to solve the debt problem. As Kunisaburo was much talked about as a bright person, Koshiro highly evaluated his talent and asked him with all eagerness to become an adopted son-in-law in the Ohara family. However, while he was busying with solving Magosaburo's debt problem, Kunisaburo died suddenly at the age of 31. Magosaburo was very shocked to face the fact that his life of debauchery eventually killed his brother-in-law and this incident drastically changed his life.

When Magosaburo was living confined to home in his hometown of Kurashiki, he received a book from a friend in Tokyo. The book was titled "Hotokuki", written by Sontoku Ninomiya. In those days, much literature related to Hotoku



Figure 1: Magosaburo Ohara (1880-1943)

Source: Kurabo Industries.

(moral requital) was published and had a significant influence on entrepreneurs such as Sakichi Toyoda (founder of Toyota Motor), and Tsurukichi Hatano (president of Gunze Silk). Ohara made up his mind to proceed with the future of his life by practicing the thought of Hotoku, which was based on Kinken-rikko (which means to work diligently, live a frugal life, and continue your efforts).

## 1.2 Participation in social activities

An encounter with Juji Ishii was a major turning point for Ohara. Ishii was born in Miyazaki in 1865 and he studied at the Koshu Medical School in Okayama Prefecture with the aim of becoming a doctor. He was baptized while attending the medical school and devoted his life to orphan relief. After returning home, Ohara, who had lost sight of his life goals, happened to watch the orphans' performances at the invitation of his friend. He was impressed by the philosophy and activities of Ishii, host of the concert. Then he started to participate in a Bible study meeting with the recommendation of Ishii, and this experience made him grow mentally. Magosaburo's diary at that time had the following description: "I was granted the property not for me but for society. Utilizing the property granted to me, I will work according to the will of God. I was born for God and society and my property was made for God and for society".<sup>(1)</sup> From this description, we can see the emergence of his awareness of a commitment to social work. Recognizing his social mission, Ohara concentrated his efforts on social education projects such as: (1) the establishment of the Kurashiki Educational Society, (2) development of educational activities, (3) assistance to Okayama Orphanage, and (4) Kurashiki Sunday Lectures.

He established the Kurashiki Educational Society to reform elementary and secondary education. The activities developed into the establishment of the Kurabo Industries Crafts Education Department, the establishment of the Private Kurashiki Commercial School, and the establishment of the Kurashiki Scholarship Foundation. He positioned these educational activities as not just financial support but a social reform.

In 1901, responding to Ishii's request, he took on the role as a financial officer of the Okayama Orphanage. Ishii was aiming for an economically independent orphanage, however, due to a rapid increase of orphans, funds for activities continued to be extremely short. Realizing that financial independence from business revenue was impossible, Ishii came up with a plan to set up an endowment fund from supporting members. When the amount of capital raised for 100 yen per unit reached 200,000 yen, it became the endowment fund, and thereafter, the operating profit of the endowment fund would be appropriated for operating expenses. His remark, "I and Okayama Orphanage are all in one body."<sup>(2)</sup> implies that Ohara believed of the orphan relief project as his lifetime mission.

The Kurashiki Sunday Lectures were inspired by an article of Aizan Yamaji, who was the leading writer of the Shinano

Mainichi Newspaper. Ishii read this article and encouraged Ohara to hold lectures on Sundays in Kurashiki and distribute the minutes of lectures to the general public in order to cultivate religious morality in society.

In 1902, the first lecture was held, and the reputation increased with each round of lectures. All of the operating expenses were borne by Ohara, and in total 76 lectures were given until 1925. The speakers invited to the lectures were leading intellectuals of the days in Japan, such as Shigenobu Okuma<sup>(3)</sup>, Meizen Kinpara<sup>(4)</sup>, Soho Tokutomi<sup>(5)</sup> and Inazo Nitobe<sup>(6)</sup>.

## 2. The essence of Magosaburo Ohara's management

### 2.1 Organizational reform of Kurabo Industries

In 1904, Magosaburo Ohara, at 24 years of age, became the seventh head of the Ohara family. The following year, he was formally baptized and joined the Okayama Christian Church. Although there is no official record of how he joined Kurabo Industries, it is believed that he joined the company in about 1906.



Figure 2: Decentralized dormitories

Source: Kurabo Industries.

Ohara was studying about the social reformer Robert Owen (U.K.) and the welfare policy of the Krupp Company in Germany. In 1906, a typhoid fever occurred in the girls' dormitory of Kurabo Industries, and the company's response was criticized. Magosaburo's father, Koshiro, decided to retire in order to settle the situation and handed over both positions of the president of Kurabo Industries and the president of Kurashiki Bank to Magosaburo. Assuming the position of president of two companies, Ohara immediately worked on management reforms. The key points of his reforms were: (1) renewal of the personnel system, (2) establishment of labor management based on humanitarianism, and (3) aggressive expansion strategy. For human resource development, Ohara actively recruited graduates of educational institutions, and among the graduates who were recruited were those from the Ohara Scholarship.

A review of the labor system began with the reform of the "hanba" (shop) system.<sup>(7)</sup> In order to reduce costs, the spinning companies used outside contractors to perform a food-related

operation called “hanba”, a kind of outsourcing. Hanba (shop) dealers, who were selling daily commodities and meals, were misusing the company’s inability to control, making a lot of money by reducing the quality of meals and even collecting introduction fees for female workers. Ohara could not overlook this situation so he abolished the “Hanba” system. The Hanba dealers fiercely resisted, however, he carried out his original policy without compromise.

Next, he worked on improving employees housing. The female workers at the spinning mill were forced to live in a poor environment. Kurashiki industry was no exception, and it housed many female workers in a large room dormitory. The factory had a 12-hour work shift throughout the night, and it was a harsh situation where female workers with an early shift and a late shift lived in the same room. In addition, many of them suffered from pulmonary tuberculosis and respiratory diseases from an unsanitary living environment. At Kurabo Industries, about 1,000 female workers were forced to live in dormitories.

Ohara decided to build a one-story decentralized dormitory, however, shareholders opposed the construction of a welfare facility that would not make a profit. He tried to gain understanding from the opponents by reducing the bonuses for directors and by distributing most of the net profit for shareholder dividend (30 % dividend).

In 1912, 76 new dormitories with sewing rooms, cafeterias and schools were completed. At the end of 1914, ancillary facilities such as clinics and baths were also completed. Ohara talked to the female workers as follows,<sup>(8)</sup>

“Since last year, we have rebuilt the dormitory to prevent you from becoming sick. We also set up a goods distribution center so that you do not have to waste money. We also founded a school so that you can read letters and sew as decent women... This company policy is based on humanitarianism, and as long as you were born as a human being, we will help you to be a good person...Our company wants to make you feel comfortable, illness free, and avoid wasting money, so you can send money to your parents and save a lot of money. I want you to spend a happy life by studying and working hard”.

Ohara took such measures more than ten years before the fa-

mous publication of Wakizo Hosoi’s (1925) “Factory Women’s Sad History” which depicted the miserable situation of female workers at spinning mills.

The factory law was enacted in 1911, raising social interest in workers’ rights. In the spinning industry, which had a greater interest in increasing production capacity than female employees’ welfare benefits, Ohara’s various initiatives were ahead of the expectations of companies to work on SDGs in the modern era (especially, Goal 9, Decent work).

## 2.2 Conversion to aggressive management

The spinning industry in Japan grew rapidly from the middle of the Meiji period (1868-1912) to the Taisho period (1912-1926). However, excessive capital investment caused a disaster, resulting in an excessive supply, which forced a shortening of operations and a merger of companies. The scale of equipment per spinning company increased from 17,215 spindles (1900) to 63,823 spindles (1911).<sup>(9)</sup> In 1901, Sanji Muto, the president of Kanegahuchi Spinning, announced the “Spinning Industry Joint Theory” and emphasized the necessity of a merger of spinning companies and the economic effects.

In 1906, Kurabo Industries was offered a merger with another company. Ohara, as the president, refused the offer and maintained independent management. In 1908, as the major companies in the industry, Mie Spinning (the company later became Toyobo) had a production scale of 179,604 spindles, Kanebo Spinning had 179,168 spindles, and Settsu Spinning had 125,832 spindles, however, Kurabo Industries produced only 29,584 spindles. Ohara was aware that companies with less than 30,000 spindles could not survive, and the only option to secure 30,000 spindles was to build a new factory or acquire another company. As a result of a series of mergers, the realignment of the spinning industry proceeded rapidly and there remained only three companies in Okayama Prefecture with a scale of more than 10,000 spindles, including Kurabo Industries. Ohara succeeded in acquiring Kibi Spinning, a subsidiary of Mitsui & Company, and named it the Tamashima Factory of Kurabo Industries, and with this acquisition, the production scale of Kurabo Industries expanded to 58,920 spindles.

Table 1: Development of Kurabo Industry

Year	1888	1905		1924		
Capital (Yen)	100,000	400,000		12,350,000		
capital-to-assets ratio (%)	1889/Second half	83	Second half	78.2	Second half	73.1
Annual net profit (Yen)	1890/Full year	20,444	Full year	150,019	Full year	2,537,369
Dividend payout ratio (%)	1889/Second half	16.5	First half	35	First half	20
			Second half	30	Second half	20
Spinning machine (spindle)	4,472	29,584		231,348		
National spinning machine (spindle)	129,376	1,472,253		5,125,696		
The ratio to whole country (%)	3.5 %	2.0 %		4.5 %		

Source: Kurabo Industries (1988), p. 105, author revised.

Subsequently, Kurabo Industries newly established the Masu Plant (1915) and the Takamatsu Plant (1920), and through mergers and acquisitions, acquired 5 factories: Sakaide and Matsuyama (1918), Hayashima (1921), Okayama Kitakata (1922), and Hirakata (1924). The production capacity of Kurabo Industries expanded from 30,000 spindles (1906) to 231,348 spindles (1924), becoming the sixth largest scale in the industry.

In addition to the dramatic expansion of production capacity, due to the establishment of the Masu Plant, the business performance of Kurashiki Industries grew steadily thanks to favorable economic conditions after the World War I. During this period, Ohara worked to strengthen financial position and paid a high shareholder dividend from the second half of 1917 to the first half of 1920.

### 2.3 Development of rayon (establishment of Kurashiki Silk Fabric (Kuraray))

Thread prices plummeted due to the post-war recession that began in 1920, and the spinning industry, which expanded its production capacity, was extremely sluggish, therefore efforts were made to prevent the decline in yarn prices by adjusting production at the industry level. Production adjustments caused criticism from society and were forced to be fully lifted in just two years. As a consequence, spinning companies were forced to seek their own survival strategies. The major spinning companies worked on relocating production to the mainland of China, integrating spinning and cotton weaving, increasing the added value of products, and diversifying their businesses, such as developing artificial silk. Suffering from the recession, the cost of the welfare measures promoted by Ohara put a strain on the management of Kurabo Industries.

Major companies such as Kanebo Spinning and Toyobo Spinning promoted business diversification centering on silk spinning, wool, and artificial silk. At that time, attention was focused on rayon (artificial silk), which had a major impact on raw silk exports. In Japan, rayon development was handled by the trading company Suzuki & Co. in the late Meiji era. In 1918, Teikoku Silk (the company later became Teijin, a major textile company) was established as a full-fledged business company.

In 1925, Ohara established the Kurabo Industries Kyoto Chemical Research Laboratory and invited engineers from the Kyoto Imperial University to begin research and development of rayon. The following year, Kurashiki Silk Weaving Co., Ltd. (the Japanese name was Kurashiki Kenshoku Co., and the company later became Kuraray Co., Ltd.) was established, and the production of rayon yarn began two years later. In 1964, the company created Clarino, an innovative artificial leather, used in various fields such as shoes, bags, sporting goods, jackets and sofas.

### 2.4 Banking

With the rapid growth of Kurabo Industries, the company

needed to respond to the strong financial demand, and Ohara served as the head of Kurashiki Bank, entrusted by his father Koshiro. Many financial institutions in Okayama Prefecture were small in size and had a problem with credit worthiness. In preparation for a reactionary recession after World War I, the government encouraged a merger of financial institutions with a policy of one bank in a prefecture. Ohara agreed with the government policy and took leadership of promoting the merger of banks in Okayama Prefecture.

In 1919, six banks, including Kurashiki Bank, merged to form Dai-ichi Godo (Joint) Bank, and Ohara took over as head of the new bank. After that, Dai-ichi Godo Bank acquired weak financial institutions in the prefecture one after another. However, the austerity policy implemented by the Japanese government at that time, and also lifting the ban on the export of gold, led to the deterioration of the economy, and the business of Kurabo Industries continued to deteriorate. The deterioration of Kurabo Industry's business resulted in the deterioration of assets of Dai-ichi Godo Bank. Ohara requested a relief loan from the Nippon Kogyo Bank (Industrial Bank of Japan). The financial authorities in return strongly urged a merger with Sanyo Bank, whose financial condition had also deteriorated.

In 1930, Chugoku Bank was established through the merger of Dai-ichi Godo Bank and Sanyo Bank, and Ohara took over as head. Magosaburo Ohara, who survived the crisis by obtaining a relief loan from the Industrial Bank of Japan, carried out rationalization of Kurabo Industries and the Chugoku Bank.

### 2.5 Electric power business

Magosaburo's involvement with electric power business began with Kurashiki Dento (electric light) Company (established in 1909). Through the management of this company, he was convinced that key industrial energy would change from steam to electricity. At the extraordinary shareholders meeting in 1912, Ohara proposed a new plan for the independent power plant of Kurabo Industries (2,000kw). In 1915, the Kurashiki Power Station in Kurabo Industries started to transmit electricity and supplied surplus power to Kurashiki Electric Light Power. He also had a plan for large-scale hydropower generation in the northern mountainous area in anticipation of expanding the power for the demand in the southern part of Okayama Prefecture, where industrialization was progressing.

In order to prepare an environment for integrating power companies in Okayama Prefecture, Ohara merged small and medium-sized electric companies and developed them into the company Chugoku Godo Electric. Next, he transferred his shares of Chugoku Godo Electric to Sanyo Chuo Hydroelectric Company and planned to merge the two companies. In 1941, the two companies merged to become the Sanyo Distribution, and the new company developed into Chugoku Electric Power, which was established after the war.

### 3. Challenges to social issues

#### 3.1 Succession of orphan relief business

Through his regret of a life of debauchery in his youth, his encounter with Hotoku thought, and also Christianity, Magosaburo Ohara acquired puritan beliefs. In particular, meeting with Juji Ishii was an influential turning point in his life.

The Okayama Orphanage had a branch in Osaka, and it was implementing an orphan relief project. In 1914, Ohara became the director of the Okayama Orphanage to take over the activities of Ishii, who had died without fulfilling his life's ambition. Ishii had been aiming to run the orphanage as economically independent, however, it was difficult for the orphanage to break away from its dependence on donations, and with the outbreak of World War I, the operation of the Osaka Branch fell into an extremely difficult situation. In 1917, Ohara made the Osaka Branch independent and established the Ishii Memorial Aizome Foundation with his own assets.

Ohara became aware of the importance of preventing poverty rather than providing relief, as Ishii's poverty relief activities did not always succeed, and he gained a deeper understanding of the social background that created orphans. With a strong awareness of the need to study poverty as a social issue, he was determined to establish an institution which would scientifically study labor issues and poverty relief projects.

#### 3.2 The Ohara Institute for Social Research

Magosaburo Ohara established a poverty relief research laboratory within the newly established Ishii Memorial Aizome Foundation and he began scientific research on poverty relief activities at his private expense. This laboratory later developed into the Ohara Institute for Social Research. A year after this laboratory was established, the so called "rice riot" broke out in Toyama Prefecture and quickly spread throughout the country.

In regard to the widening economic disparity and intensifying conflicts among classes, Ohara strongly recognized the need to study social issues. He visited intellectuals, such as Soho Tokutomi and Kaoru Kawakami,<sup>(10)</sup> to ask for their cooperation. The



Figure 3: The Ohara Institute for Social Research, Hosei University

Source: Hosei University

existence of the Takashi Hara cabinet, established in response to the Rice Riot, was also a tailwind for him. In 1919, The Ohara Institute for Social Research was established, and research on labor and social issues based on a social scientific perspective started. The institute became close to the personnel research group of Kurabo Industries. In 1937, upon its relocation to Tokyo, the institute transitioned to independent management, and after World War II, the institute was transferred to Hosei University, and continues its research activities as the Hosei University Ohara Institute for Social Research.

#### 3.3 The Institute for Science of Labour

The Ohara Institute for Social Research was conducting research on occupational health as well as social issues. Ohara invited researchers to the Kurabo Industries Masu Factory and disclosed the labor conditions of female workers. In those days, every request for a site visit to a spinning mill had been rejected, and as a result the labor situation of female workers was not well known. Researchers are said to have been impressed by the words of Ohara, "Would you please come to our factory and investigate so that our female workers will be able to work more pleasantly and lead a happier life?"<sup>(11)</sup>

In 1920, the field of social hygiene became independent from the Ohara Institute for Social Research, and the Kurashiki Institute for Science of Labour was established within Kurabo Industries. The institute conducted unique research on topics such as the relationship between temperature/humidity in the factory and production efficiency/health management, and also the calorie requirements and menus for workers. The institute is still conducting research as The Ohara Memorial Institute for Science of Labour.

#### 3.4 Kurabo Central Hospital

During 18 years from 1906 to 1924, the spinning equipment of Kurabo Industries increased approximately 8 times (231,348 spindles), and the number of employees also increased rapidly. The medical care of employees was carried out at a medical office established within the company's factories; however, its capacity was approaching its limits. In 1918, with the operation of newly built Masu Second Factory, Ohara decided to build a hospital to improve employees' health management. He led the construction project under the policy of: (1) it would be designed to provide the best medical treatment, (2) build a hospital with a pleasant atmosphere, (3) treat patients equally, and (4) build an ideal hospital and the best in Asia.

In 1923, Kurabo Central Hospital (renamed Kurashiki Central Hospital in 1927) was opened with the principle of egalitarianism and treatment as the first policy. The fee for hospitalization was fixed at 2.50 yen, and the employees of Kurabo Industries and their families were subsidized by the company so that their actual cost was less than 20 % of the prescribed fee. The hospital wards were expanded after the opening and there

were 220 beds in 1926. Some shareholders expressed their dissatisfaction with the huge investment in a hospital which was non-profitable. Magosaburo Ohara remarked as follows and dismissed the voices of criticism:<sup>(12)</sup> “When I explained the concept of establishing a central hospital, I used the term “socialization of a profitable company”, and this may have caused misunderstanding. However, I have never planned any business plan without careful calculation. (Omitted) It may seem to you that Kurabo Industries incurs losses year after year by establishing the Central Hospital, but in reality, the establishment of the hospital will be beneficial to Kurashiki’s economy. And I’m convinced that these effects will bring great benefits to Kurabo even if they don’t appear on the numbers”.<sup>(13)</sup>

### 3.5 The Ohara Museum of Art

The Ohara Museum of Art began with Magosaburo Ohara’s encounter with a Western-style painter, Torajiro Kojima, from Okayama Prefecture. Kojima gained the acquaintance of Ohara as a scholar at the Ohara Scholarship Society.

The friendship between the two continued until Kojima’s death. Empress Shoken, the empress of the Meiji Emperor very much liked one of Kojima’s works titled “Guard of Love” which Kojima painted at the Okayama Orphanage, so it was purchased by the Ministry of the Imperial Household.

Kojima studied in Europe with the help of Ohara, and he came up with the idea of collecting Western paintings as references for painting and teaching materials for young painters. Ohara provided private property to support Kojima’s idea.

Paintings Kojima collected, such as Monet’s “Water lilies” and El Greco’s “Annunciation”, became the foundation of the Ohara Museum of Art. In 1927, Kojima planned the construction of a museum and Ohara agreed to the plan, but it was forced to be canceled due to the recession. Two years later, Kojima passed away at the age of 47.

Ohara lamented Kojima’s death and began to construct the museum. The construction of the museum, requiring huge amounts of investment in the middle of the recession, was criticized, however, he carried out his will. The Ohara Museum of Art opened in 1930 for the purpose of showing Kojima’s own works and also the paintings collected by him. At the time of its opening, there was little interest in Western art, and there were few visitors. Ohara argued that the museum was his most unsuccessful work, however, the Ohara Museum of Art continued to exist, and became a public foundation in 2011.

### 4. Magosaburo Ohara’s management philosophy: labor idealism

Magosaburo Ohara developed modern manufacturing and financial businesses based on the wealth of financial resources he inherited from his ancestors and became an entrepreneur representing the Meiji and Taisho eras (1868-1926). However, he was also deeply interested in social and labor issues and developed various activities to solve those problems. His thoughts and efforts anticipated society’s expectation for companies to work on social issues, as described in SDGs in modern era.

In Japan, wealthy entrepreneurs were considered to have a

Table 2: Magosaburo Ohara related business

Type	Business/Activities	Established	Description
Public activities	Ohara Scholarship Program	1899	Scholarship program providing student loans.
	Kurashiki Sunday Lecture	1902	Promoted social education. 76 lectures conducted (ended in 1925).
	Ohara Agricultural Research Institute	1914	Established as Ohara Agricultural Promotion Association
	Okayama Orphanage	1887	Magosaburo became director of Okayama Orphanage in 1914
	Ishii Memorial Aizome-en	1917	Became independent from Osaka Orphanage Okayama Branch, providing education and relief for the poor
	Ohara Institute for Social Research	1919	Research on social issues and knowledge dissemination. Succeeded to Hosei University Ohara Institute for Social Research
	Kurashiki Labor Science Laboratories	1921	Medical and psychological research on industrial organizations. Succeeded to Labor Science Laboratories.
	Kurabo Central Hospital	1923	A regional medical institution for employees and citizens. Succeeded to Kurashiki Central Hospital.
Private business	Ohara Museum of Art	1930	An exhibition of Torajiro Kojima and Western paintings.
	Kurashiki Spinning Co., Ltd.	1888	Became president in 1906
	Kurashiki Silk Co., Ltd.	1926	Manufacture of artificial silk (rayon). This company later became Kuraray Co., Ltd.
	Chugoku Bank	1930	President of Kurashiki Bank in 1906 and president of First Joint Bank in 1919
	Chugoku Joint Electric	1926	Kurashiki Electric (1909), Chugoku Hydroelectric (1922)

feudal and conservative character. However, Ohara, who had a management philosophy similar to CSV (Creating Shared Value) as advocated by Michael Porter, can be said to have been unique in his era. As an entrepreneur, who achieved both solving social problems and corporate management, other than Magosaburo Ohara, Osamu Muto of Kanegahuchi Spinning was also conducting pioneering activities. Muto, based on humanitarianism and paternalism, improved the working environment to save female workers from a miserable situation, eventually rebuilding Kanegahuchi Spinning, which was once on the verge of bankruptcy, into one of the largest companies in Japan. Muto and Ohara were both Christians and had much in common with their management philosophy.

Ohara acknowledged Muto’s management philosophy based on humanitarianism but argued that humanitarian philosophy alone could not solve social problems. He thought that the essence of the problem should be identified by a scientific method, and then a concrete solution should be taken. The place of searching for the truth was the Ohara Institute for Social Research, and Ohara practiced labor idealism with his word of “principle of personality”. His labor idealism, the foundation of his management philosophy, was to create people’s happiness.

Hyoue Ohuchi, former president of Hosei University, once belonged to the Ohara Institute for Social Research, and he stated: “Ohara was the biggest entrepreneur in the Kansai region west of Osaka through the Taisho and Showa eras. There were more entrepreneurs than Ohara in making money. However, Ohara was an entrepreneur who produced much better results than Mitsui, Mitsubishi, and any other businesspersons, in that he used the wealth he created to carry out public works. None of the Japanese entrepreneurs were as successful as he was with setting high goals in spending money”.<sup>(14)</sup>

Magosaburo Ohara’s philosophy had both idealism and realism, and his characteristics as an entrepreneur can be sum-

marized into four points: (1) management based on equality and humanitarianism, (2) business activities based on the realization of public interests, (3) emphasis on economic independence, and (4) moral sense that controls the notion of profit.

After becoming the president of Kurabo Industries, Ohara introduced a number of innovative policies in organizational management and production systems. With his management ability, that anticipated the trend of the times, Kurabo Industries grew to become one of the leading spinning companies in Japan. He also actively engaged in research and development, such as the development of rayon, with an eye to the future.

However, the greatness of Magosaburo Ohara as an entrepreneur was that he decided to use the profits for the development of human capital and dedicated himself to such a realization. His awareness of responsibility for both employees and the community and practicing those responsibilities as an entrepreneur are essentially the same as the work on SDGs that companies are required to do today.

Needless to say, profits are necessary for the sustained growth of companies; however, management aimed solely at gaining profits is harmful. In modern society, scandals of well-known companies are unending, and the root cause of corporate scandals is considered to be the lack of ethics and the pursuit of greed. In addition, short termism in pursuit of immediate profits is accelerating the trend.

In 2010, the International Organization for Standardization (ISO) issued an international standard on social responsibility (SR) (ISO 26000). ISO 26000 lists seven core issues of social responsibility: (1) organizational governance, (2) human rights, (3) labor practices, (4) the environment, (5) fair business practices, (6) consumer issues, and (7) community involvement and development.

The management Ohara practiced is in many ways consistent with the social responsibility required by ISO 26000. In

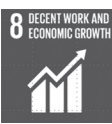










Economy	 	<ul style="list-style-type: none"> <li>* Expansion of yarn production business</li> <li>* Creation of artificial silk (rayon) business</li> </ul>
Society	     	<ul style="list-style-type: none"> <li>* Improve employees’ working conditions</li> <li>* Invest in employees’ health</li> <li>* Scientific research on labor issues</li> <li>* Scientific research on poverty problem</li> <li>* Operate museum</li> <li>* Drive R&amp;D</li> <li>* Quality improvement through human resource management</li> </ul>
Governance	  	<ul style="list-style-type: none"> <li>* Expansion and balanced management</li> <li>* Renewal of personnel system</li> <li>* Labor management based on humanitarianism</li> </ul>

Figure 4: Achievement of Magosaburo Ohara and related SDGs

order for the socioeconomic mechanism to function smoothly, society may need to have an entrepreneur such as Magosaburo Ohara who had an altruistic morality not controlled by selfishness. His efforts seem to require us to re-examine the relationship between business and society.

### Notes

- (1) Magosaburo Ohara Biography Publication Committee (1983), p. 42.
- (2) Magosaburo Ohara Biography Publication Committee (1983), p. 49.
- (3) Shigenobu Okuma was the 8th Japanese prime minister and founder of Waseda University.
- (4) Meizen Kinpara (1832-1923) is an entrepreneur in the Meiji period. He contributed to the development of modern Japan through the flood control project in Tenryu River, reclamation of Hokkaido and reforestation projects.
- (5) Soho Tokutomi (1863-1957) was a journalist, thinker, and historian who was active during the Meiji to the post-war Showa era.
- (6) Inazo Nitobe (1862-1933) was educator and thinker. He studied agricultural economics and agriculture.
- (7) “Hanba system” is one of the labor management systems carried out in mines and construction projects during the Meiji period. In this pre-modern system, workers were housed in a barn called hanba, and they were made to work under strict surveillance, and their wages were cut.
- (8) Kurabo Industries Centennial History (1988), pp. 75-77.
- (9) A spindle is a spinning tool that winds yarn.
- (10) Kaoru Kawakami (1879-1946) was a Japanese economist. He studied Marxian economics at Kyoto Imperial University, but later he resigned and practiced communism.
- (11) Magosaburo Ohara Biography Publication Committee (1983), p. 163.
- (12) Magosaburo Ohara Biography Publication Committee (1983), p. 161.
- (13) Magosaburo Ohara Biography Publication Committee (1983), p. 161.
- (14) Ouchi (1963), pp. 227-228.

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