

Observations of Kongō Gumi's Corporate Creed: Research on the Corporate Creed Observed in the Living Company in Japan

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Abstract

Much attention has been paid to the management style of living companies in recent decades. The purpose of this paper is to report the corporate creed observed in a living company in Japan. The company under discussion is a going concern of very ancient origin and was owned and managed by the founding family. Many researchers and journalists think that this company is the oldest in the world. The corporate creed we are focusing on in this paper was written in old Japanese because the head of the family established the creed in the Edo period. This research reports the contents of the creed in modern Japanese, in order to make a contribution to the research on these enduring businesses.

1 Introduction

1.1 Purpose of the study

The purpose of this study is to report a corporate creed of one of the "living" companies in Japan. Several studies have been made on "living" companies that have histories of more than a few hundred years (Sone & Yoshimura, 2003; 2004; 2005a, 2005b; Sone, Matsumoto & Yoshimura, 2005^[1]). Collins & Porras (1994) define such a long-standing company as a 'Visionary Company' and De Gues (1997) defines them as a 'Living Company'. These academics have focused on the management of these long-standing companies and investigated the conditions of their continuance. We are here

[1] Yoshimura organized the paper and Sone is in charge of the main parts of this paper. This paper is a conflation, revision, and expansion of one earlier study, *Preliminary Research on the Corporate Creed Observed in the Living*. An earlier version of this paper was presented at the Kongō Gumi Management Workshop. The authors would like to thank Victoria Sarac (Pacific Gateway International College), Maki Nonaka (Griffith University), Tadao Kagono (Kobe University), Masahiro Uemura (Wakayama University), Sotaro Sasaki (Wakayama University), Hyeon-Jeong Ju (Sang Myung University) and Dawn Freney for their detailed comments, suggestions, and constant support. We are most grateful to you for your advice and help. Thank you for your understanding and cooperation. We would like to express our sincerest thanks once again. Even so, there will be mistakes of interpretation and presentation for which we are responsible.

concerned with the relationship between corporate creed and managerial behaviour. This paper focuses on the Kongō Gumi which is the Shitennoji Temple workshop of carpenters and their creed. Particular attention is given to the will of the 32nd generation, Kongō Yoshisada. "Shokuke kokoroenokoto" which is the summary and the core of the will, has been translated into English. In addition the distinction of the Kongō Gumi's managerial behaviour will be investigated using other documents and studies.

The final aim of our series of studies is to demonstrate the relationship between creeds and characteristics in the management of such a company. The main purpose of this study is to report the creed of the Kongō Gumi. Thus this will be a preliminary investigation of our future study.

1.2 Focus of the study

The name of the world's oldest company is Kongō Gumi (O'hara, 2004^[3]). Kongō Gumi is a construction company which was founded in 578, 1400 years ago. Needless to say, there was not a constitution of the company at that time. However, Kongō Gumi already had been structured as a "organization" which had employees. It can be called a "company" in today's world. The first leader of this Kongō Gumi was Kongō Shigemitsu who was from a part of modern day Korea called "Baekje". Three carpenters from Baekje: Hayami, Nagamich and Kongō Shigemitsu were invited by Prince Shotoku to Japan to build temples in 578. They brought great influence to building construction in Japan. It is said that Kongō Shigemitsu was involved in the construction of Shitennoji Temple which was built by Prince Shotoku. Since then the Kongō family has been the Sho-daiku of Shitennoji Temple. They represent the Miyadaiku in Japan.

The Kongō family will examined in this paper was written at the end of the Edo period. It can be considered a recent document compared to the 1400 years of Kongō Gumi history. However the will is already 150 years old and an adequate amount of time has passed for us now to examine it. Yoshisada said in his will that "the most important thing is to keep and maintain the name of the

[2] Kongō Gumi is a middle sized constructions company. Its sales revenue reach about eight billion yen per annum.

The headquarters is in Osaka near Shitennoji Temple. It has 50 Miya-daiku (Master temple and shrine carpenters) at any time and sets out designing, constructing, restoring and repairing temples. Kongō Gumi extended their business to the capital city (Tokyo) establishing a Tokyo branch office in 2000.

[3] British economic magazine "The Economist" introduced Kongō Gumi in its research.

[4] Miya-daiku (Master temple and shrine carpenter).

[5] Shitennoji Temple is one of the oldest and most famous Buddhist temples in Japan. It is located in Tennoji-ku, Osaka. (Retrieved from <http://www.shitennoji.or.jp/engi/engi2.htm> on 26th March 2005.)

[6] Sho-daiku is the highest rank among the carpenters in Shitennoji Temple.

Kongō family". He wished for the perpetuity of the Kongō family and wrote down his beliefs about management and an ethical life style for his descendants. There is a high possibility that the Yoshisada will, particularly "Shokuke kokoroenokoto" which is the core of his will, has greatly influenced today's Kongō Gumi. Thus it is an important source of information in the research of living companies.

2. Management characteristics of a Living Company: Kongō Gumi

This paper focuses on Kongō Gumi as a Living company. Before we report the creed of Kongō Gumi, let me draw your attention to the management characteristics of Kongō Gumi. They show that there are certain reasons why Kongō Gumi has been operating for such a period of time.

2.1 Customers: Long relationships with customers

The Kongō Gumi has had business with Shitennoji Temple since its establishment. They rely on this relationship very much. According to the fact that Shitennoji Temple paid a salary to the Kongō family in the Edo period, they might be considered as Shitennoji Temple employees.

One of the main management characteristics of the Kongō Gumi is their careful regard for their customers including Shitennoji Temple (Samejima, 2004). Kongō Gumi has kept their business with Shitennoji Temple focussed on CRM (Customer Relationship Management).

Our focus "Shokuke kokoroenokoto" consists of 16 articles which have creeds that refer to customers. One such creed states "Face the customer sincerely without greed. Other living companies have similar management characteristics in terms of "Customer Satisfaction" (Yokozawa, 2000). Kongō Gumi is no exception and they have been making an effort to value customers and establish a strong basis of trust with them since their foundation.

2.2 Manager/ executive officer: No need to keep the company in the family.

Living companies are based on traditional family systems (Yokozawa, 2000). Japanese people have not been strict in maintaining a direct family lineage in their companies. It is said that there was a tradition to adopt people from outside the family to maintain that family. Thus it is the family's ongoing challenge to nurture good talent (Mito, 1991).

It can be inferred that it has been difficult to keep the business operating depending on the capability of the heads of the family. In the history of living companies, a competent male was taken as a son-in-law even though there was a legitimate son. Kongō Gumi was not an exception. For

example, after the 32nd generation of Kongō Yoshisada, his younger brother "Gon-daiku"^[7] who was not the lineal heir of Kongō Gumi became the "Shoudaiku" as Yoshisada's sons were invalid or ineffective. The current president of Kongō Gumi (40th generation) Kongō Masakazu said "I was told that previous heads of the family chose the next generation on their leadership qualities and health, not necessarily on their position in the family. It makes it possible to have stability and to run the business each generation for an average of 35 years."^[8]

3. The system of inheriting skills

3.1 Internal competition observed in the Kongō family^[9]

It is essential to improve skills to continuously obtain the trust of customers. Kongō Gumi has created interesting systems in this area.

According to Kagono (2002) Kongō Gumi divided carpenters into small groups (kumi) to compete with each other to improve their skills. Kongō Gumi also allowed master builders in these small groups to be independent if they were skilled enough to do their jobs. However these new independent groups worked only for Kongō Gumi in order to keep the unique skills and techniques within the Kongō Gumi organization. The main body of Kongō Gumi provided jobs depending on the ability of the groups. Each group had to compete to get orders from the main body therefore creating internal competition within Kongō Gumi. There was also internal competition within the small groups. Each group tried to find a successor within their group of 7 or 8 people to eventually take over control of the "kumi". These carpenters also would compete to be head of the group. Kongō Toshitaka (39th generation) stated that it took 10 years to be a respectable carpenter and 10 more years training to be a master builder.^[10] This internal competition helped the acquisition of high quality skills.

3.2 Inheriting skills and relationships with customers

Another important factor that supports the inheritance of skills is the relationships with customers.

Miya-daiku Daihiko Gumi^[11] which is a workshop of the temple complex Koyasan^[12] was established 300 years ago. Due to the mountaintop location and the height of the pagoda, 50 meters high, Koyasan has been damaged by fire caused by lightning strikes many times. Reconstruction and

[7] Gon-daiku is the second highest rank of carpenters after Sho-daiku.

[8] *Nikkei sangyo shinbun* 19 Mar 2004.

[9] Internal competition is to adopt the theory of competition and markets to the organization in order to create innovative products and services (Takeuchi, Sakakibara, Kagono, Okumura & Nonaka; 1986)

[10] *Nikkei Business* July. 2000

regular restoration (senguu) enabled Daihiko Gumi to grow financially and encouraged the succession of skills. The current president of the Daihiko Gumi, Tsujimoto Hikobe said the factors that keep the living company are not only the stability with Koyasan but also frequent burning down or regular restoration, and the strong relationship between the temple and the carpenters.^[13]

Similarly, Kongō Gumi has a strong relationship with Shitennoji Temple. Kongō Gumi helped reconstruct the temple 7 times in 1400 years of history and played an important role in all these rebuilds. The two main factors that promoted Kongō Gumi financially and technically were the customers who provided the opportunities for carpenters to perform their skills, and Kongō Gumi's efforts to maintain a good relationship with their customers.^[14]

4. Kongō Family Timeline

578 Prince Shotoku^[15] commissions Japan's first Buddhist temple^[16] in Osaka to be built by the Kongō family, Korean carpenters.

593 Construction of Shitennoji Temple was completed.

1576 The daimyo^[17] (a feudal lord) Nobunaga Oda^[18] set fire to Shitennoji Temple. Kongō Gumi builders were employed to make repairs in 1600.

✓ [11] Daihiko Gumi has its main office at Koya-cho, near Kongobuji. It sets out designing, constructing, restoring and repairing temples as well as building general houses.

✓ [12] Koyasan is the mass of 117 temples and pagodas that is situated in Koya-cho, Ito-gun, Wakayama. Kukai was founded in 816 as the head temple of Shingon Mikkyo.

[13] See Sone, Matsumoto & Yoshimura (2005) for details.

[14] Since writing this abstract Kongō Gumi has been forced into liquidation. Its business was transferred to a middle sized general constructor, Takamatsu Kensetsu, in January 2006. As a result, the administrators of Kongō Gumi have resigned from its management. This bankruptcy was due to the a numbers of debts from land purchases which had been made during the bubble economy prior to 1990. Further qualitative investigation of Kongō Gumi's bankruptcy is intended.

[15] Prince Shotoku (574-622) was a famous Japanese statesman in the 7th century. He established a political system modeled on that of China and was instrumental in introducing and promoting Buddhism. His picture was on the 10,000yen and 5,000yen note until the 1990s.

[16] In a temple Buddhist images are enshrined and priests conduct themselves according to Buddhist doctrine. Generally the graves are located in temple grounds. Temple architecture in Japan was strongly influenced by Chinese and Korea design. However, the curve of the roof is more gentle and the eaves are deeper.

[17] A powerful samurai with a large domain and numerous retainers was called a lord, or daimyo.

[18] Nobunaga Oda (1534-1582). After defeating the Muromachi shogunate, he aimed for political unification of the nation, but an act of treason led him to kill himself before this goal was achieved.

1614 The Osaka Winter Battle of 1614 destroys Shitennoji Temple and Osaka Castle. Kongō Gumi builders were employed to repair them for the next two generations.

1801 Shitennoji Temple was struck by a lightning strike and burned down. Kongō Gumi builders were employed to make repairs.

1934 Kongō Gumi was commissioned to rebuild the five-story pagoda^[19] at Shitennoji Temple after it was destroyed in Typhoon Muroto on 21 September.

1945 Shitennoji Temple was the best part of burned down in World War II . Kongō Gumi builders were employed to make repairs.

1955 Control of the company transferred to a joint stock company.

2006 Kongō Gumi has been forced into liquidation and its business transferred to a middle sized general constructor, Takamatsu Kensetsu.

5. "Shokuke kokoroenokoto" and "The will"

It is clear that Kongō Gumi's management brought about the long lasting prosperity of the company. Our interest is in the relation between the corporate creed and the managerial behaviour of the Kongō Gumi family. This paper explores the will written by Kongō Yoshisada (32nd generation) and "Shokuke kokoroenokoto" which is a summary and the core of the will. A detailed analysis of the relationship between the corporate creed and managerial behaviour of Kongō Gumi will be our further study.

5.1 The family precept (Family motto)

The family motto was not introduced to merchants until the Edo period^{[20] [21]}. Although there is a time range, most family mottos were created in the Kyōho period^[22]. The purpose of the family precept is to keep and maintain the family. Masakazu Kongō says, "We believe that continuing the company is

[19] A Five-story pagoda is a Buddhist tower where the Buddha's bones are housed. Each story of the pagoda stands for one of the five important elements: earth, water, fire, wind and sky, respectively.

[20] The Edo period (1603-1867).

[21] Miyamoto (1941) and Yoshida (1973). "Shimai Sōshitsu Isho" which was written about 1610 seems to be oldest.

most important".

The family precept covered the extended family. The will which Yoshisada (32nd generation) wrote for the Kongō family about 150 years ago still remains today. Yoshisada wanted the long-range continuation of the Kongō family and the contents of the will were specifically written for posterity. It is possible to regard the will as being a family precept of the Kongō family from the above written words. The original does not have a title, however a title has been added (to the paper) in order to help the understanding of the readers. Following is the contents of "Shokuke kokoroenokoto"^[23]

6. Family Motto (Shokuke kokoroenokoto)

- Think of the idea of Confucianism^[24], Buddhism^[25] and Shinto^[26] as an example.

Train how to use the ruler as well as study 'gogyō no teiyō', the theory which is the basis for considering the ideas of Confucianism, Buddhism and Shinto when you build shrines, temples and private houses. This is our most important duty as carpenters.

- Listen to what the customer says.

- Carpenters should mostly practice their training, reading and abacus.

These are the skills that carpenters need most, thus focus on practising them. Learn other skills depending on your ability. You should be educated to attain your status. For other skills not included above you should study according to your ability and learn what you should know to attain your status. You must not be attached to anything that does not suit your status.

- Do not put yourself forward.

When you are around people, mind your own business.

- Do not drink a lot of alcohol.

Make sure not to drink too much. If you make an excuse to do so, you may not guarantee your status. If the situation gets worse, you might become rude or even lose your life. You must listen to

✓ [22] Kyōhō period (1716-1736).

[23] See Sone & Yoshimura (2004) for the original of the "will"

[24] Confucianism was brought to Japan from China through Korea.

[25] Buddhism was founded by Gautama Siddhattha in India in the 5th century B.C. It came to Japan in the 6th century.

[26] Shintoism, an indigenous Japanese religion, dates from ancient times.

other people and behave yourself.

- Dress in a way that suits your circumstances.

You must not wear more luxurious and flowery clothes than your status demands. For social manner other than these you should study according to your ability and learn what you should know to attain your status. You must not be attached to anything that does not suit your status.

- Respect people and be careful of the way you interact with others.

Speak to them politely and do not say anything thoughtless.

- Be kind to your pupils.

Show mercy to your juniors such as servants and pupils. Talk to them with courtesy.

- Definitely do not fight with others.

Whatever happens do not fight with anyone.

- Do not shame a person or boast.

Never disregard people or be arrogant. Do not speak evil of others.

- Meet and speak to others politely.

Treat everyone with courtesy and never trifle with them.

- Do not discriminate. Communicate with respect.

Do not segregate people by status. Treat them nicely with common sense.

- Treat the customers with respect.

Face all the customers sincerely without greed.

- As for a bid, submit the cheapest and most honest estimate.

If the business is running well and you are asked for a bid, examine suppliers in detail. Accept the offer only when there are no obstacles. Ask the price to suppliers and consider the market price as well. Do not make an overestimation. Submit the cheapest and most honest estimate.

- When it isn't possible to decide by oneself, consult a relative and decide things together. Seek a

wife and leave descendants. Rear children properly.

If you can not make a decision, talk to relatives and decide. I will write down the important carpenters family motto, because I tend to be sick in general. That is to say: have filial piety, needless to say, inherit the reputation of the family, take a wife, have children and educate and protect them properly. Live long and follow Buddhism and Shintoism. Attain general knowledge and enlightenment as soon as possible. Receive the Buddha's blessings and attain enlightenment. You will be forgiven for your sins by Amitabha Buddha's blessings and enlightenment. It is important to look forward to the next life.

- On the anniversary of an ancestor's death show respect and hold a Buddhist service.

Do not forget to offer incense and a Buddhist service on the anniversary of an ancestor's death. When you hold the ceremony, do it in accordance with your present status.

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