

## Third-Party Evaluation of Bankyo Pharmaceutical Co., Ltd.

### Women's Empowerment as a Corporate Citizen

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#### Company Overview

Name:	Bankyo Pharmaceutical Co., Ltd.
Established:	March 1960
Capital:	40 million yen
Shareholders:	Bankyo Holdings KK (100%)
Annual revenue:	2,062 million yen (FY2012)
Pre-tax profit:	301 million yen (FY2012)
CEO:	Nobuo Matsuura (Mr.)
Workforce:	105 (as of 30 June 2013) of which: 68 permanent employees (41 men, 27 women), 12 contract employees (5 men, 7 women), 5 part-time employees (2 men, 3 women), 4 fixed-term employees (4 women), 16 dispatched employees (3 men, 13 women)
Officers/managers:	2 officers (1 men, 1 women), 5 executives (3 men, 2 women)
Business fields:	Production of pharmaceuticals (external medicines) on contract (82.4%), own brand (5.8%), production, development and sale of cosmetics and quasi-pharmaceutical products (11.8%)

The management team at Bankyo Pharmaceutical Co., Ltd. has fostered innovative and instructive practices for advancing women's empowerment. The social merit and significance of these good practices should be highly publicized. This paper attempts to analyze these practices using as a benchmark the Women's Empowerment Principles (WEPs), the most well-established international criteria on women's empowerment.

WEPs' objective is to improve the bottom line of private-sector companies by putting the following seven principles into practice in management.

Reference: Women's Empowerment Principles in Brief

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
3. Ensure the health, safety, and well-being of all women and men workers.
4. Promote education, training, and professional development for women.
5. Implement enterprise development, supply chain, and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality.

Note: Refer to the United Nations Global Compact site for more details.

<http://www.unglobalcompact.org/docs/issuesdoc/humanrights/Women%27sEmpowermentPrinciples.pdf>

## **I. Characteristics of Bankyo Pharmaceutical's Initiatives**

Bankyo Pharmaceutical Co., Ltd. was established in 1960 in Kobe as a manufacturer of external medicines. The head office and plant located in Kobe were totally destroyed by the Great Hanshin-Awaji Earthquake in January 1995. Forced to leave Kobe City (population of about 1.5 million), the company resumed operation in November 1996 in Taki Town, Mie Prefecture (population of about 15,000) with Nobuo Matsuura as President and CEO, his wife as Senior Managing Director, and a former college classmate as Plant Manager. Following the relocation, the company shifted its operation from the manufacture of a single haemorrhoid treatment product under its own brand to the made to order production of various skincare products in line with the CEO's new management philosophy: 'creating a company needed by everyone', and 'treating the employees as the most important asset of the company'. As of March 2013, the company manufactures 783 products including ointments, creams, liquids for external use, nasal drops and anti-rhinitis capsule preparations on contract with 74 clients. Annual production totals 12 million units. The company also conducts research and development mainly on non-prescription external medicines. The results are presented to clients, who in turn design formulations or make modifications to develop more market-competitive drugs. The company built a second plant in June 2004 with an area of 9,900 square metres, a third plant in December 2007 with an area of 3,300 square metres, and a fourth plant in March 2013 with an area of 19,800 square metres, all in the town of Taki. Its workforce also increased to 100 employees. As a result of this business expansion and growth year after year, the company has recorded an almost 40-fold increase in sales and a 60-fold increase in business scale since the relocation. It has also carried out various community service projects as a corporate citizen in the local community.

In 2004, eight years after the resumption of operation, the company started a drive to improve management quality, led by the CEO. Another boost came in 2008, when the CEO, who was exploring ways to advance the effort, discovered the Mie Prefecture Gender Equality Centre. The ensuing initiatives for women's empowerment led to further improvements in the company's business and management in quality.

The following sections discuss the characteristics of valuable management of the Bankyo Pharmaceutical management for women's empowerment.

### **1. Women employees' empowerment and business growth through high-level corporate leadership**

#### **(1) Development of mechanisms enabling female employees actively to pursue their career — Principle 1**

After the relocation to Mie in 1996, the Senior Managing Director (CEO's wife) gave birth to her second and third children. At that time, she led a hectic life, working almost as hard as her husband. One day in 2006, she tearfully complained to her husband: "Bankyo Pharmaceutical has a well-established mechanism to protect its employees, but it does not protect my work-life balance as an officer with children to raise". The CEO felt he had to act

as the issue related to the company's corporate culture, so he undertook initiatives to support female employees to enable them to continue working actively. The Mie Prefecture Gender Equality Centre "Frente Mie" pointed out that although female employees were entitled to parental leave, they could not pursue a business career while raising children. Realising that the company needed a way to enable female employees to keep communicating with the company during parental leave and continue working in a healthy condition after returning to work, the CEO developed a system to make it easier to resume work after parental leave by modifying the job organisation so that each task can be shared by two or more employees, both male and female, in a supportive manner (*Principle 1*).

Many of the female workers typically declined an offer of promotion to assistant manager, saying that they could not take on that much responsibility. Some even said they would quit if forced to assume such responsibility. So, the company introduced a system of small groups, each made up of three employees, and appointed one of them as 'petit leader'. The system is designed to boost the morale and self-confidence required for management jobs through the gradual accumulation of experience in leadership within small groups.

Since female employees tend to suffer a career break when they give birth or take care of an elderly parent, in 2004 the company extended the limit of parental leave to three years, allowing the employee to decide when to return to work. Since then, no female employee has left the company due to pregnancy or birth, and even male employees can now take childcare leave with a sense of security (*Principle 2*). In order to support child-rearing by the employees, the CEO persuaded the Mayor of Taki to establish an After-School Care Centre, to which school children are bussed from several primary schools in town. Thus, the company's support for its female employees has led to the creation of a friendly community for working women. This is a good example of a private initiative helping to solve a local issue (*Principle 6*).

In 2007, a female employee, now a manager, offered to leave the company because she had to take care of her mother and could not come to work in the daytime. This led the company to introduce a short-time work option of three hours per day. A flexible working style has now taken root in the company, as a result of exploring how to help female employees continue their career and in consultation with the employees themselves. Currently, three employees are using this short-time work option.

Furthermore, the company has an individual human resource development programme, drawing up a separate career plan for each employee, both male and female (*Principle 4*). As a result, women came to represent 40% of the executives in 2009. Thus, the company has created an environment where female employees can exercise leadership, empowered by other employees and the company as a whole.

## **(2) Human support to become 'a company needed by the employees' – *Principle 2***

When the future vision of the company was discussed in 1996 when resuming operations, it was decided to aim for 'a company that no employee would leave' or 'an exciting company with an atmosphere of the day before a school festival'.

In 2004, the company introduced a system called 'direct mail to the President', allowing employees to send "KAIZEN" proposals regarding business or facilities directly to the CEO. An employee receives 500 yen per adopted proposal, and up to 10,000 yen in total. Some 1,000 proposals are made each year. The CEO comments on each of them and posts his response on the bulletin board within two weeks. Female employees have made concrete proposals to improve efficiency such as attaching wheels to heavy display units to make them easier to move and combining the two labels (product number and bar code) attached to each product into one to save cost and time; most of their suggestions have been adopted. At the annual in-house 'result announcement meeting', the employees who made the adopted proposals give presentations to other employees and clients regarding how their proposals have benefited the company. This approach empowers each employee and gives them insights into how to improve productivity still further.

In 2006, a Bankyo Information Card (dubbed 'thank you card') scheme was introduced. This scheme encourages employees to provide information on good jobs done by other employees on a card. The company pays 500 yen each to both the commended and the commending employees. The scheme enables the commending employee to enjoy making someone else happy, while helping the commended employee develop confidence. All information is disclosed company-wide, and a grand prize is awarded at a meeting to announce the results.

2006 also saw the start of a 'petit-com family' programme. Four employees from different departments (two men and two women) form a pseudo-family, and play the roles of elder brother, elder sister, younger brother and younger sister during non-working hours, with the support of the company. Their activities include holding four or five dinner parties each year, with each member receiving 3,000 yen on each occasion. They also travel overseas using a week's leave. The company reimburses 100,000 yen per person. About 20 'families' use the 'petit-com' travel scheme every year. They are required to document the trip in a report and make a 10-minute video clip of the trip to be shown at a staff meeting. Under this scheme, employees have to plan their trip, reconcile each member's wishes and physical strength, and assign their work to someone else for one week while they are on leave. This experience is equivalent to business management training, effectively helping female employees to gain leadership and planning skills.

These initiatives have stimulated communication among employees and accelerated problem-solving. In addition, turnover in the first three years of employment has been substantially reduced, particularly among women. Overall turnover fell from 18.3% in 2007 to just over 6% in 2011, and to 4.7% in 2012.

## **2. Leveraging employees' capacity through streamlined workplace and operational efficiency – *Principle 2***

### **(1) Introduction of a system that can be used by everyone – *Principle 2***

One time, the company delivered defective products, which could not be detected by an inexperienced part-time employee with little knowledge about the products. Learning from this mistake, the company developed a production system that prevents the generation of

defective products regardless of who operates the system, rather than depending solely on the skills of the employee concerned. The system uses high-quality machines, which should operate at 30% capacity, as well as job-rotation among employees (see details below).

In 2004, the company introduced job modules (dividing a task into basic units, each with a distinctive number of points allocated for score calculation). Since the employees are subject to periodical job rotation, each task is broken down into modules ranging from how to tighten a screw to how to fix typical problems, so that each employee can perform their task smoothly in any department or process. The 'modules' also form an evaluation sheet as the employees are given a score on each of the modules depending on their level of proficiency. The more you teach someone about a task, the more you become experienced in the task. Teaching each other builds solidarity among colleagues. The company highly evaluates any employee who can teach, and has experience in teaching, other employees. Manuals have also been prepared for the modules. Although the company does not include sales performance in each team's objectives, increases in module scores and improvements in manuals are specifically included among the objectives, and hence considered in pay decisions. The addition of new modules and improvement in scores also benefit the company.

The job rotation scheme enables employees, male and female alike, to accumulate experience and capacity in a variety of tasks. The modules also serve as an equitable personnel rating system for both men and women. For female employees, presentation of objective evaluations and ratings in individual interviews with the CEO held on a biannual basis is a source of empowerment and helps reduce their obstacles to challenge a job position of greater responsibility.

Given that the number of modules differs among departments – almost 5,000 in production and far less in general administration – the company is also making efforts to ensure fair evaluations regardless of the number of modules involved.

### **(2) Creating a disaster-resilient, safety-conscious company – *Principle 3***

Learning from the experience of the Great Hanshin-Awaji Earthquake, the company is focused on building resilience to disasters. Actions taken so far include safety measures to protect employees' lives (fixing equipment, maximum height for storing raw materials and products, setting evacuation routes, measures to prevent the scattering of broken glass, etc.), building compatible production lines, digitising documents, and decentralising servers. These are not simply elements of the business continuity plan (BCP), but also linked with improving operational efficiency, including for increased in-plant safety and document management efficiency, designed to create a pleasant working environment for the employees. Many of the measures originate in proposals made by female employees. The company's initiatives have gained widespread attention: it receives a large number of visitors from other companies every year.

### **(3) Promoting dialogue between employees to activate individual skills – *Principle 5***

Before participating in a meeting, employees are required to develop their ideas and opinions on the agenda, draw conclusions, and submit them along with supporting materials.

An outsider also attends each meeting not as an observer but as an official participant to express his/her opinions. This helps to inspire brand-new ideas.

Promoting dialogue between employees helps to generate a wide variety of views, unfettered discussions and new understanding on both sides, eventually creating business advantages. A focus on dialogue also helps develop an environment that encourages women to express their views without hesitation.

### **3. Management aiming at both business and regional capacity development – *Principle 6***

#### **(1) Employee capacity building through well-established diversity management – *Principle 2 and Principle 4***

With the exception of the development department, employees at Bankyo Pharmaceutical rotate jobs every other year on average, with accompanying changes in workplace and title. By creating ‘multifunctional workers’ with experience in a variety of tasks, the job rotation scheme enables any vacancy to be handled swiftly. But it has other implications. First, each employee gains a broad view of the whole company. Second, an employee who remains in the same department may stop developing in their 30s, being satisfied with the status of manager, but an employee assigned to another department has to re-start his/her career from scratch until being promoted to manager, with a brand new set of skills. This scheme has little impact on employees’ income, as losing the status of manager only results in a loss of around 10,000 yen in monthly salary.

Employees going through job rotation always end up gaining capacity and skills, and hence become qualified for a new, higher-paid position. Since the scheme allows employees without exceptional potential to build capacity on the job and improve performance, it is suitable for persons with disabilities and the elderly, as well as women. With no mandatory retirement age, the employees of the company may work as long as they wish. The employees differ widely in age: some are in their 20s, others in their 60s. Three of them are over 60 years old. Employees with disabilities account for 4% of the workforce, which is more than double the national and prefectural average. Those with difficulty working full time are allowed to work three hours a day. The only difference between permanent and part-time employees is the method of wage payment, monthly or hourly: they are both covered by the same job rotation scheme, are appointed as ‘petit leaders’, and accumulate experience in the same way. Overtime work is declared and paid for by the minute. 80% of paid leave days are taken. To help ensure a work-life balance, the names of those who take less of their paid leave are posted on the bulletin board to encourage the teams concerned to think about ways to correct the situation.

For the company, job rotation is not only a personnel management and organisational approach to diversity management but also a method of leveraging local human resources. Based on the idea that small companies provide a safety net to the local community, the company allows various persons to work within their capacity while doing their duty in the neighbourhood and at home – this is very different from a company employing only the best

in the local community. Thus, female employees with children find it easy to maintain a balance between work and child-rearing in order to keep working. Indeed, the company was accredited by the prefectural government of Mie as a 'gender-friendly excellent company' in 2009. Furthermore, the newly appointed female manager of the company's on-line shop has succeeded in developing a new market with an innovative business strategy including the combined sale of preserved flowers.

## **(2) Reconciliation of community service with business – Principle 6**

Most of the employees of small companies are recruited locally. Although the company recruits R&D staff nationwide, other employees are mostly recruited from the local community. Based on the CEO's idea that 'business' and 'society' are two sides of the same coin, the company's management focuses on how much of its annual profit goes to social contributions.

To solidify its presence in the local community, the company encourages its employees to use their skills not only for the company but also for the local PTA or community association, under the motto: 'the greatest contribution that a company can make to the local community is human resource development'. The employees are also encouraged to make the best of what they have learned at Bankyo Pharmaceutical, even if they switch to another job.

Since 2008, the company has developed and marketed 'skincare series by high school students' in collaboration with senior high school girls in Taki, who made decisions on the ingredients, aroma and package design. The products thus developed have been launched in partnership with one of its clients, a major pharmaceutical company. They have been commercialised at a rate of one product per year, and one of them even won a silver award at Monde Selection in 2012. The products, marketed both in Japan and overseas, have raked in 40 million yen in sales a year. Following the success of this project, some of the high school students went on to join the company after graduation.

As a community service project, some employees help out with monthly voluntary hand massage activities using the company's lotions at local healthcare facilities for the elderly, in collaboration with the Mie Prefectural College of Nursing. Hand massage sessions of 30-40 minutes per person give the employees opportunities to chat with the elderly and to feel good about themselves.

The development of such community-based business is led by female employees and local women, who bring contributions and expertise to each other's activities.

## **(3) Focus on managerial quality and supply chain management – Principle 5**

Since Bankyo Pharmaceutical manufactures medicines on contract, client manufacturers may choose to change contractors and have another company produce the same products, leveraging the technology or expertise developed by the company. To avoid this type of contractual relationship, which damages the trustworthiness of both parties, the company has developed a 'correct relationship' with each client, instead of depending on the mercy of clients. As with the clients, the company also has solid contractual relationships with the supply chain through the development of bilateral, rather than unilateral ties.

The company has a wide range of clients nationwide, both large and small, many of which place strict requirements on the products. If the employees felt obliged to meet all such never-ending requirements, they could end up doing only what the client requires.

Accordingly, the company is trying hard not to become a mere contractor. Instead of simply acquiescing to the unilateral demand of the client, employees are encouraged to have pride and make proposals that would help build mutually beneficial relationships. As far as the supply chain is concerned, the company only signs contracts with top-notch partners for machine manufacture or material procurement, in order to minimise the risk of defects due to a supplier's error. Although trading with such partners entails substantial costs, the company never demands a discount on the quoted price, instead giving priority to maintaining the quality of its products.

Female employees tend to cave in when placed under heavy pressure by a business partner. By building correct relationships with clients and the supply chain, Bankyo Pharmaceutical ensures secure working conditions for both female and male employees.

#### **4. Issues seen through the lens of the seven WEPs**

##### **(1) Promotion of reproductive health – *Principle 3***

On a national scale, Bankyo Pharmaceutical is considered to be a pioneer in the field of in-plant safety improvement. Leveraging its strengths as a pharmaceutical manufacturer, it is now hoped that the company will focus further on health considerations at the production sites, take into account different impacts on women and men, and publicly communicate any potential risks identified.

##### **(2) Empowerment of rural women – *Principle 6***

With the exception of the development department, most of the employees at Bankyo Pharmaceutical are recruited locally. As the company is located in Taki, a town in a rural area, many of the female employees are also agricultural workers. Thus, female employees are expected to apply their managerial skills gained in the company to the field of agriculture, starting up new agricultural businesses or participating in the decision-making process on farming management policy, for example.

##### **(3) Promotion of business with female entrepreneurs – *Principle 5***

Bankyo Pharmaceutical has launched projects in collaboration with local stakeholders such as schools, hospitals and governments. Launching new business activities in collaboration with female entrepreneurs in Taki or other municipalities of Mie Prefecture will facilitate further development in business and women's empowerment.



## **II. Conclusion**

### **1. Management policy leveraging the advantages of a small company**

Bankyo Pharmaceutical has established a unique management policy to secure effective production lines as a company with numerous clients typical of the pharmaceutical industry, while turning the characteristics and limitations of a small company into a business advantage with special focus on the 'happiness of the employees'.

The employees of a small company are also local residents. They have families, children to raise, farming and other works to do, and ties with the local community. The company's management policy attests to the fact that the empowerment of employees leads to the empowerment of local residents, and the development of the company leads to the development of the local community. Community service activities are also promoted actively as an essential element in this virtuous cycle. The policy consistently promotes both business development in partnership and collaboration with the local community, and constant involvement of women in those activities.

Another important consideration is that the success of any small company located in a rural area necessarily depends on the performance of rural women, who represent a large part of the workforce. If the business of the company is to grow, it is essential to provide a good working environment and career development opportunities for female employees. This is closely linked with diversity management, including through employment of the elderly and persons with disabilities living in the local community, which the company has already introduced.

### **2. Expectations for 'visualisation' of women's empowerment through participation in WEPs**

So far, Bankyo Pharmaceutical has adopted a 'go-it-alone' approach to corporate management. Although the above-mentioned initiatives are well advanced, the company will need to increase both internal and external recognition of its efforts for women's empowerment by 'visualising' and 'internalising' them, in order to grow its business. One way to do this is to participate in WEPs to learn from other companies' success stories and communicate its initiatives. Expected actions include periodical publication of a CSR report, disclosure of data on seven WEPs in the report, and compilation and publication of results and challenges.

Information should be provided for the clients and suppliers, in particular. A good reaction from stakeholders will have a positive impact on Bankyo Pharmaceutical itself. Communications should also be directed to the company's hometown audience.

If such communications are followed by dialogue based on the information provided, the company's initiatives will receive even greater approval from society as good and instructive practices for corporate citizens and small companies.