



The **CANADIAN**
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THE CANADIAN

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The bottom-line: unethical business doesn't profit, say experts

According to *Transparency International*, losses due to fraud worldwide have exceeded \$15 trillion, and unethical corporate behaviour has destroyed more wealth than all the world's terrorist acts combined.

With recent fraud cases such as LiveDoor, Kanebo and Chuo Aoyama PwC, over 50 people gathered to discuss this timely topic at the CCCJ breakfast seminar on May 15 at the City Club of Tokyo. Internationally renowned speakers Drs. Ned C. Hill and W. Steve Albrecht (Marriott School of Business, Brigham Young University) spoke on the need for ethical business practices in the corporate working environment and the costs of unethical conduct by employees and company executives.

An expert witness in 26 major fraud cases in the U.S. and internationally, Dr. Albrecht said, "Fraud losses reduce a company's net income dollar for dollar. If your profit margin is 10 percent, then your revenues must increase by 10 times the losses to recover the affect on your net income."

Citing General Motors as an example, Dr. Albrecht explained that poor company governance regarding fraud caused GM to play "catch up" with



(left to right): Patricia Bader-Johnston, Dr. W. Steve Albrecht, Philip O'Neill, Dr. Ned C. Hill, David Iwaasa, William Walker.

other automobile companies. To restore lost revenues of \$436 million at a profit margin of 10 percent, GM would need \$4.36 billion in revenues or the equivalent of 218,000 cars at \$20,000 per unit.

"The highest recorded sales for GM is 60,000 cars per month, meaning that they [GM] would have to sell at record rates for four straight months to recover what was lost due to fraud," he said.

"During that time, the other companies are increasing their net profits... Fraud makes your company less competitive in the market."

Dr. Hill spoke on the importance of business ethics and drew attention to how companies can create an environment of honesty and integrity. "Employees are afraid to report unethical behaviour or believe that no action will be taken," he said.

By applying four levels of ethics, including ethical leadership, employees are more apt to work honestly and act ethically. Ethical leadership, according to Dr. Hill, includes structuring policies that encourage ethics, developing a climate that fosters ethical behaviour and behaving ethically while facing the pressures of leadership. Illustrating how well-governed companies fare in the market, he said, "Good ethics means good business."

Pointing out the decline of ethics and the rise of laws governing ethics in the U.S., Dr. Hill encouraged the audience to practice strong ethical leadership at the senior executive level. He said, "We can do one of three things: do nothing, increase the legal constraints or increase ethical behaviour."

The presentation highlighted several types of fraudulent practices and how the Sarbanes-Oxley

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Spring 2006 Business Survey results

The Spring 2006 Business Confidence Survey conducted by the Foreign Chambers in Japan (FCIJ) received 426 valid responses from members of 15 chambers of commerce in Japan.

The biannual survey, since its inception in 2002, has become a respected indicator of foreign business in Japan. Respondents forecast the state of the Japanese economy, offer insight on challenges in the market and suggest ways in which trade can improve.

"The survey is an important tool for many embassies reporting to their home countries about the state of the economy and, above all, about the performance and strategies of foreign companies in Japan," says Clas Bystedt of the Finnish Chamber of Commerce in Japan, the official compiler of the survey results.

"However, we still need to raise more awareness about the survey and get more publicity in Japan."

To read the complete results and a commentary by Dr. William Schrade of Temple University Japan, visit www.fcc.or.jp/fcij/confidence-survey.html. The next survey will be conducted in October 2006. ©

Riding toward Suzuka success

Ever spent a day in 32-degree heat weather inside a leather suit, gloves, boots and a helmet which insulates like a beer cooler?

Shane LeGros has been doing it for over five years. And will do it again this summer.

The 32-year-old real estate investor is one of two Canadian riders at the 2006 Suzuka 300km and Suzuka 8 Hours World Endurance Championship races. LeGros and partner Clint McBain (former Canadian 600cc champion) will face 200 other riders at the Suzuka race course to try to claim the coveted titles.

"These are two of Japan's largest sporting events attracting some of the world's top competitors... and [crowds] exceeding 30,000 to each race," says LeGros, who is also last year's Suzuka 300km Super Production Class champion and the Suzuka International Course record holder.

In endurance events such as the 300km and 8 Hours, the circuit is strenuous on the riders' bodies, and heat stroke is a real danger. Mentally preparing for the race can also be challenging. "It's very important to stay positive," says LeGros.

"You have to stay focused and trust your own intuition... self doubt has no place. You have to maintain the proper mental approach consistent with achieving a good result: positive, analytical, confident at all times no matter what is happening around you."



Canadian motorcyclist Shane LeGros.

Competing at Suzuka for the third year in a row, LeGros' team expects to go through almost 20 sets of tires during the 8 Hours race. "It's a tough sport to maintain without sponsors," he says. "We have a group of associate sponsors this year, but we're still looking for a title sponsor for the team. Every bit helps us level the playing field a bit more."

The 300km race will take place June 10-11 and the 8 Hours race will be held July 27-30. For more information on the races and festivals, visit www.suzukacircuit.com. ©

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The Canadian is the Chamber's bi-monthly newspaper for members and is also distributed to a targeted and influential audience of businesses, public and private-sector business organizations, and key decision makers with an interest in the Canada and Japan relationship.

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