Intercultural assessment of sustainability

Intercultural adaptability of oekom research AG's
Corporate responsibility Rating (CRR)
According to criteria of social and cultural sustainability
by
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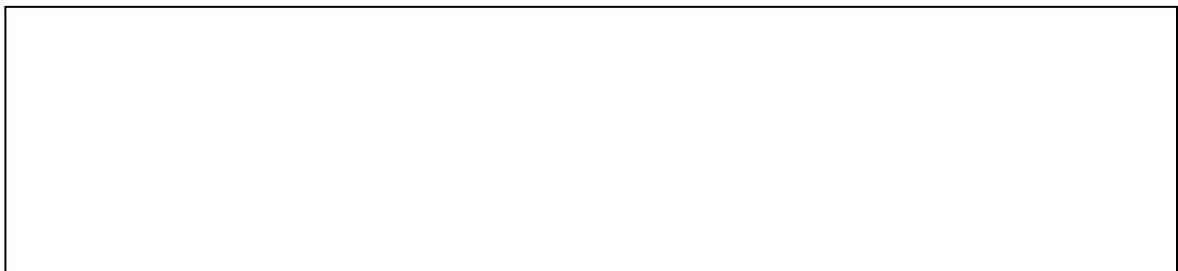
Key Words and Abstract

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Abstract

oekom research's assessment of companies according to criteria of environmental, social and cultural sustainability is challenged by scarce response by Japanese companies.

After the presentation of the rating agency and its tools, this project analyses the expressed explanations both from the German and the Japanese perspective with support by Trompenaars and Galtung/ Welfords contributions.

The definition of sustainability is not static, but describes the means of the process towards a more sustainable development. The Japanese contribution challenges the Western concepts. It is not the question, which side provides the better framework, but how the intercultural dialogue is enabled. oekom's CRR is perceived in this context.

The author recommends to develop a cultural self-awareness and to engage in the global debate, also as a means to improve the company's efficiency and profitability.

<u>Personal note</u>: The events in New York on September 11, 2001 can be interpreted as intense symbols in the context of an ill-defined global agenda of intercultural communication, which remains centred on Western concepts. The author hopes, that this interruption of the Western "normality" leads to a new acceptance of the existence of other perspectives, leaving behind the dualism of "good" and "bad", "civilised" and "uncivilised", and opens space for new ways of doing business, based on cultural self-awareness and a stronger emphasis on the life of the global community. This includes the spiritual path towards sustainability.

Preface

The foundation idea for this work rooted in the intent to work on the problem of the adaptability of criteria to assess a company's performance in the context of sustainability. It was agreed with the supervisor on a methodology to jump into the ocean of the issue and find the some islands, where contributions to the path towards sustainability are to be developed. Academic approaches do not provide definitions or frameworks which can easily be applied, but seem to satisfy the demand for educational tools. Sustainability is conceived as a process, whose dynamics change according to new developments in politics, research and experience. The actual debate works on the description of the traffic signs, not the finish of the global development. In this context, the academic approach engages in the advertisement of the quest for a sustainable development, providing arguments for a new fundamental orientation of the business and politics.

For management, sustainable development mostly is conceived as strategy, that will ensure the company's survival on the long term. This is closely linked with the global environment. In M. Porters framework of the 5 forces of the competitive environment, nature, future generations and the development of human cultures have to be added. This influences a businesses agenda, focussing on its impact on its environment and the long term sustainability of its basic assumptions and derived business practices.

For the environmental issues, a global standard, ISO 14000 has been developed and is increasingly accepted all over the world. Based on the approach of the triple bottom

line, three areas of development- financial, environmental and social prospects should be included into the management agenda.

For social issues, national legislation often is a good benchmark for a company's performance. In the context of cultural sustainability, one can perceive the cultural bias of the criteria, when it comes to assess a company's performance.

New standards have been developed, that focus not on "hard facts", but in the quality of the process of decision making as well as the movement of a company towards a more sustainable business practice. What can be assessed, is therefore, if a company includes issues from the sustainability agenda into it's practices or not, and how this process is managed. Due to the enormous variety of the cultural contexts worldwide, and their dynamic character, a fixed set of criteria cannot be articulated. Instead, standards such as AA1000 in the U.K. provide measures and benchmarks for the process of implementation and decision making in a single organisation. Unfortunately, this could not be adopted too, because the subject of this work is not a single company, but the difficulties coming up in the intercultural context.

The author had to decide, if the report should analyse oekom researchs situation- an approach that will be based on only little information, or the broad question of the intercultural compatibility of criteria to asses a company's performance.

The solution was to perceive oekom research as part of the dialogue about sustainability on a global- in this case German-Japanese – scale. It traces oekom researchs business opportunity by analysing the development of the issue in Japan, and the experience with

Japanese partners. Oekom researchs situation and managerial problems will frame the search for an improved dialogue. The managerial problem therefore shifts to the question of Japans path towards the future, and the contribution oekom research might offer.

For this work and the development of the Management project, the author had to face the equivalent systemic difficulties. No frameworks seem to apply to the issue in question, because they describe the nature of the way towards sustainability. Should the author now analyse the situation of the company "oekom research", or engage in the internal debate about CRR's criteria?

It remains difficult to link a managerial issue, such as oekoms strategy and marketing practices, to the global debate about sustainability. There are signs for a upcoming opportunity on the Japanese financial market, in which oekom could differentiate. But it is obvious, that under the actual situation, oekom simply has not the resources to pursue such a strategy, but might provide an important contribution for the Japanese debate on ethics.

Focussing on oekom research, the author discovered, that the problem of the intercultural adaptability of CRR's criteria is due to the fact, that even if some of them would be improved, a satisfactory set cannot be established.

The author found a rating agency in Munich, which assesses a company's performance according to criteria of environmental, social and cultural sustainability. Its mask of assessment is well documented and enables the analysts to rate companies. At the same

time, oekom faces big problems when rating Japanese companies, because the criteria do not correspond to the real performance, but to the international standard.

This report is consequently perceived as part of the dialogue in search of tools and describes the state of the art of the findings. On a managerial perspective, the report encompasses the purpose of oekom researchs product development.

The author did not work at oekom research in Munich. His perception of the problems is more or less from outside, based on interviews and information gained in meetings with oekom researchs management and its analysts, which cooperated in a very open way.

The underlying methodology of this report reflects the path of investigation the author looked for. Starting with the managerial problems at oekom research in Germany, the report tips over to the Japanese context in the third chapter. The author has the impression, that the political, societal and economical background and future prospects in Japan requires in our days new and creative answers. Should the report engage in the ongoing public debate on sustainability in Japan? What would be the managerial problem to be tackled in this context?

The shift from oekom researchs managerial requirements redefines the scope of this report, because oekom research engages in the debate about sustainability. As the CRR experiences an unforeseen importance in the dialogue about Japans sustainable future in the global context, oekom research should define its economic requirements and

possible contributions for this dialogue on one side , and the equivalent strategy on the other.

Sustainability is a "process rather than a tangible outcome" (Welford). With the example of oekom researchs CRR, this report shows the conditions of one partner in the debate about that process, and the links between the issues of the micro- and the macro level.

Content

List of figures:

Chapter 1:   oekom research AG: the company and its actual challenge

oekom research assesses the performance of companies according to criteria of environmental, social and cultural sustainability, on the basis of the Corporate Responsibility Rating (CRR), a framework based on scientific elaborated criteria.

The three branches of the CRR, environmental, social and cultural sustainability require different techniques of analysis, because environmental issues are relatively easy to assess.

Environmental sustainability remains subject of debate, but a big knowledge and consciousness about green issues do exist. Many companies have integrated a green policy into their mission statement. It is difficult to find a company that simply ignores green issues in their reports, as a consequence of the public interest and campaigns in the past decades.

Social sustainability is far more difficult to define. As social issues comprise the legal context of a firm, the assessment shows the extent to which a firm shows compliance to the social standards. In our days, companies make use of the differing social standards, such as wages, working time, extent of labour unions power and taxes. Porter's concept of the comparative advantage of nations (PORTER, M. in BARTLETT/GHOSHAL, 1992) underlines a management approach that builds upon those differences. In the past decades, the nations of the South mainly provided cheap labour and raw material.

As social standards differ from one country to another, it is difficult to compare the social performance of national based companies. The compliance to the legislation in China requires different practices than in the UK or in Ghana. The national limitation of legislation reflects the historical and cultural context of societal values on which laws are built upon. Mere compliance to national standards is therefore not a sufficient criterion to assess a company's social performance.

When it comes to multinational corporations (MNC), different measures might be used even within a single company. For a western rooted approach, the UN declarations, i.e. of human rights are an attempt to provide a globally valid framework.

Cultural sustainability introduced a broader scope. The basic requirement is, that a company should respect the culture of its host nation. This comprises, that a business should not interfere and change the culture in order to maximise its profits (HOFFMANN, 1997).

The classical dilemma is, if a company should adopt practices such as bribery or child labour, because they are common in the host country.

In the case of Japan, it is common sense, that only the adaptation of global criteria and standards allows a significant competitive position in the global market. On the other hand, the increasing number of criticism of the Japanese culture by Japanese writers reflects on the heterogeneity of the problem. Plurality and many different approaches are breaking with the monolythical concept of the golden trend (WELFORD, 1997). Recent development in Japan- recession, election of Mr. Koizumi as reformer- shows a

picture of a country and its culture at the eve of fundamental changes, which are a result of the orientation on the global market. Japan is changing its personality from an island-society , whose characteristics helped to gain competitive advantages in the past, to a part of the global society, in which the role of personality is unclear. As promoter of the golden trend, Japan is now experiencing the consequences of the total capitalism.

One should not forget, that there is also an alternative culture in Japan, although not articulated in the same extend than in western countries. The contribution of criticism for the Japan of the future should not be underestimated.

Oekom research actually does not know how to tackle with the concept of cultural sustainability in Japan, nor will it be able to define it in the Munich offices (MODEE, 2001). Being a representative of the business stakeholder groups, oekom researchs task is to engage in a stakeholder dialogue with Japanese partners. As a result, Japanese organisations will be able to describe the Japanese concept of cultural sustainability.

The general limitation of standards is their deductive methodology, which is necessarily culturally biased does not reflect on. New standards which target sustainability, such as AA9000 (ZADEK, 2001), emphasize the process a company engages on and the enabling structures a company installs instead of hard measures. As sustainability is a dynamic concept, criteria to assess a company's performance must equally be dynamic. Assessing a company according to criteria of cultural sustainability requires therefore a dynamic approach which reflects on the singular context and the change process of the host culture. oekom and its CRR will be introduced in this context.

1.1. Presentation of oekom research AG

1.1.1. History, organisational design and culture

Oekom research AG realizes ethical oriented portfolio- consulting since 1993. Up to 1999, oekom research was part of an environmental publishing house: ökom verlag, founded in 1989, is an editor of ecological literature, especially the own published magazines "Political Ecology", "Ecological management" and the information service "punkt.um". A series of related books completes oekoms portfolio.

In 1993, oekoms environmental research activity started and developed into a rating agency in 1994. Since then, about 500 companies in more than 25 sectors and countries have been rated. Its expertise in sustainability rating is the core competence of oekom research AG in our days.

In 1999, oekom research separated from ökom verlag and was transformed into a joint-stock company. As oekom researchs reputation increased due to its growing experience, the company focussed on the development of criteria for a sustainability rating. In cooperation with an interdisciplinary research group leaded by Prof. Hoffmann and Prof. Scherhorn, the CORPORATE RESPONSIBILITY RATING (CRR) was elaborated.

Ökom Verlag today has a headcount of 15, whereas 10 employees integrate oekom research.

1.1.2. Targets and visions

Initially, oekom research AG had political and educative targets: in order to introduce a green agenda for companies, oekom research AG wanted to show the advantages of green policies to companies, to contribute to the greening of the economy by introducing criteria to compare and rate the ecological performance of companies and industries. The positive rating of companies should stimulate others to adopt green policies. oekom research AG's contribution targets the information lag of the financial markets concerning green issues. This mission is bound together in oekom researchs motto "INNOVATION THROUGH TRANSPARENCY" (oekom, 2001)

With the development of the well acknowledged CRR in 2000, oekom research is now able to offer services in this context:

1.1.3. Market environment

Since several years, the stock markets show an increasing demand for environmental and ethical companies. Research shows an increase in Germany of about 500 % from December 1998 to November 2000. In countries with more experience in Socially responsible Investment SRI, such as the U.S and the U.K., the environmental, social and ethical investments grew up to 10% of the whole investment market. This approach and development is due to institutional investors (i.e. pension funds, churches) which want to invest only in ethical and ecological sustainable companies.

In Germany, a traditional market for private investors, the degree of institutional investors is rising, stimulating the demand for criteria to assess a companies ethical and environmental performance. In May 2001, a national law was published, which binds the national pensions funds to ethically sustainable performance. Companies which want to be included in the public funds, now must report their activities in this context. After the publication of a similar law in the U.K. in July 2000, most of the pension funds now include criteria according to environmental and ethical sustainability in their investment decisions (HASSLER, 2001)

In Japan, environmental funds now are most profitable compared to the whole market, generating expectations oekom could get advantages from.

For oekom research, this market development offers huge opportunities on the long run. oekom researchs main competitive advantages are its experience, its networking and its R&D in the context of rating criteria, which it owns together with EÖR (Ethisch Ökologisches Rating), the project group at Frankfurt Goethe University which developed the criteria. With this background, oekom research is leader in a market segment, which is boosting, and in which there are only few competitors- both on the national and the international level. The hidden competitors and new entrants are the research departments of banks, insurances and fund companies, which are now developing substitutes to the CRR based on their own capabilities. In this context, oekom research now looks for the safeguarding of its market share, by acquisition of new customers and the development of its product portfolio.

1.1.4. oekom researchs product portfolio

Based on the CRR, oekoms product portfolio offers instruments to include criteria of environmental, social and cultural sustainability in the assessment of a company's performance. This allows a broader analysis of the long term prospects of a companies and includes all integrative parts of the Triple Bottom Line. The economic bottom line is assessed by oekom researchs customers, mainly banks and institutions which want to develop financial products, that are both profitable and ethical. oekom research provides consultancy in asset management in order to develop a market oriented portfolio on the basis of the corporate responsibility rating criteria. As part of a complete rating, oekoms partners realize the classical financial assessment. In cooperation with oekom research, SEB Invest actually offers four sustainability funds with a volume of EUR 130 million.

a)   The **Corporate Responsibility Profile**, a basic analysis of a company's ecological, social and cultural performance published in the annual reports, company's press releases and data bases. This information is screened against negative criteria.

oekom research sells the corporate responsibility profile for EUR 60,- per company and offers an environmental profile for EUR 40,-.

b)   The **Corporate Responsibility Rating**, analysing a company's performance according to about 200 criteria of cultural, social and environmental performance. This in depth analysis will be presented in another Chapter of this work.

The complete Corporate responsibility rating is sold for EUR 350,- per company.

For EUR 195,- the segmented ratings (environmental or Social Cultural rating) are available.

c)   The **Industry report**, which summarises the profiles and rating in the different branches. The prices differ according to the branch and the number of companies analysed from EUR 490,- (textiles: adidas-Salomon, Nike) to EUR 4990,- (Oil and Gas II: 23 companies). oekom research offers 18 industry reports in 2001 for an average price of about EUR 2500,-.

oekom research has rated about 550 of the biggest companies worldwide, nearly covering the stock exchange indices, such as DAX 30 or EuroStoxx 50.

Beside this, oekom research analysed 200 international companies which are pioneering in the context of sustainable development.

Rated companies use the CRR for an analysis of their environmental and ethical performance as well as for a benchmarking against competitors.

1.1.5.   oekom researchs economic situation

Two years after its independence from ökom Verlag, the company is not yet profitable. (oekom 2001). In 2000, oekom research realized a turnover of about DM 350.000,-, leading to an overall loss of nearly DM 530.000,-. Due to market development and the success of its new product CRR, turnover in the first half of 2001 equals the turnover of

whole 2000, which sustains the expectation to reach profitability in 2001 or at least in 2002.

oekom research builds upon a capital of 180000 shares at EUR 2,50, resulting in shareholder funds of EUR 450.000,-.

In 2000, oekom research stated fixed assets of DM 600.000,- and current assets of about DM 143.000,- in 2000.

The wages for 9 employees amount to DM 600.000. The average annual wage paid out is about DM 55.000, which might be due to start up phase, but reflects mainly upon oekom researchs foundation mission and the start up phase.

oekoms situation is characterised by its good position on a probably booming market on one hand, and its quest for profitability on the other. This reflects both oekoms initial transformational mission and its successful development into a normal company that provides specific products and services on the growing market of ethical investment. As any start up companies, wages are low and employees are committed with the company's approach and the political and managerial quest for sustainability. Fortunately, oekom research has safe funds, because all shares are held privately and the company is not submitted at any stock exchange. The company's situation is difficult, but has good prospects in a growing market, in which it might be able to sustain a leading position.

1.2.   The Corporate responsibility rating (CRR)

The CRR is based on the "Frankfurt-Hohenheim Guidelines" (FHG), a set of criteria which were developed by an academic interdisciplinary project group in Germany. The FHG are a public good, only protected by copyright. There can be no monopolistic use of the FHG. Any individual or institution can use the guidelines to develop a FHG-based rating system. The first company to do so was oekom research, who now own the CRR. It remains an open question, what will happen, if other institutions base their rating systems upon the FHG.

The initial thesis of the FHG states, that developments, systems and structures are results of social processes within a culture (HOFFMANN, 1997). In the context of the trend of globalisation, which is characterised by the restriction to financial performance, economic growth has become to an end in itself (WELFORD, 2001).

The FHG start from the quest for a fundamental change of the economic system and hopes, that "funds could be directed into channels, that lead to gradual changes in the everyday world in the direction of encouraging innovations that are socially, environmentally and culturally compatible". As a growing minority of investors are adopting the viewpoint that property entails responsibility (Roche, Hoffmann, Homolka 1992), their decision, in which company people or organisations invest, is seen as powerful mean to stimulate improvements of the ethical performance of companies, because it changes the market requirements.

Through scandals and accidents, it is perceived by many businesses, that in the long run, a good ethical performance will be a competitive advantage. Many companies improved their stakeholder dialogue, the assessment of their social performance and their cooperation with suppliers, recognising the increased importance of the broader impact of their business.

The FHG anticipate a development on the capital market, in which ethical criteria will play a bigger role (HOFFMANN, 2000). Periodically stimulated by environmental catastrophes, epidemics, culturally and socially rooted civil wars, the consciousness for the need of a sustainable development is growing world wide. Not surprisingly, NGOs from the South provide concrete descriptions as well as solutions for the problem.

FHG methodology is based on Renns Value-Tree-Analysis (RENN, 1996), which emphasises moral and evaluative parameters instead of technical and economic criteria. Based on a rational choice model of decision making (DAFT, 1998), it reflects a dynamic approach which does neither define sustainability nor the outcome of the process. This opens the debate for the debate about values, and reflects on the fact, that the value pluralism is a given reality.

The Value tree of FHGs methodology comprises three levels of criteria:
The **first level** distinguishes between the **normative structuring concepts**

- **Environmental sustainability**
- **Social sustainability**
- **Cultural sustainability**

Figure 1.1. The basic structure of the CRR:

Social sustainability
Cultural sustainability → Social-cultural rating
Environmental sustainability — Environmental rating → CRR
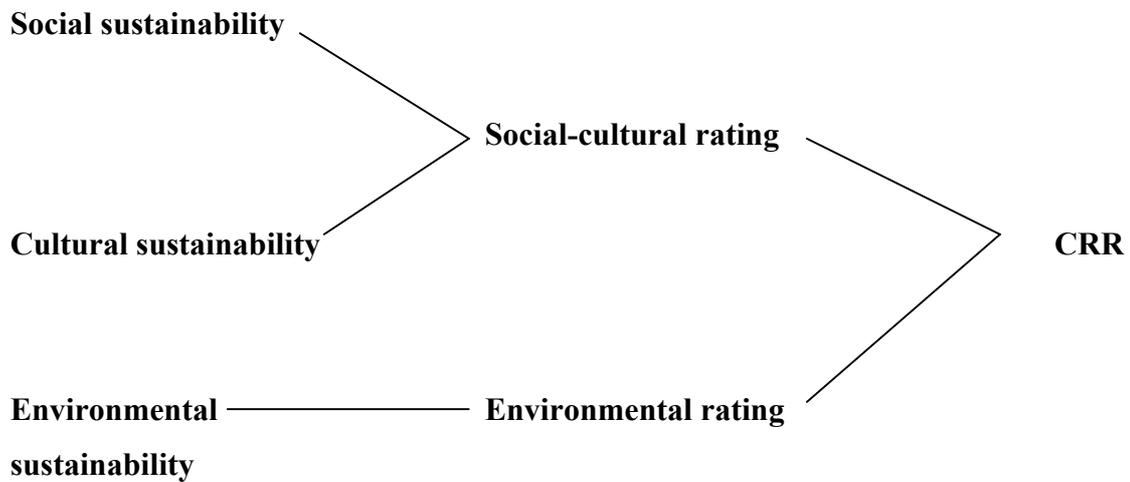
The **second level** analyses the **spheres of action**, such as "Internal groups with special interest" in the branch of social sustainability.

The **third level** encompasses the **concrete groups**, i.e. minorities, women, etc

With this approach, more than 200 criteria comprise a framework for the analysis of potential factors and questions for the assessment of a company from ethical-ecological perspectives (EER, 2000, pg. 22)

Environmental criteria often are easy to assess, because they rely mainly on a "scientific" approach. Social criteria often build upon legal requirements. Cultural sustainability reflects on the fact, that the moral understanding inherent in cultures plays an important role in the development and realisation of environmentally and socially compatible products. (Symposium 21).

As there is no definition of sustainability, but an agreement on the importance of the process towards a sustainable development (WELFORD 2001), the concept of cultural sustainability introduces the role of corporate responsibility in a concrete environment. Within the FHG, a company is cultural sustainable, "when it takes up the manifest ideas, institutions, roles, rituals, symbols and myths on whose ground a culture and tackles its problems." (Symposium, 28). As such, cultural sustainability is conceived as the compatibility of economic activities with the processing cultivation of society's potential for social change with respect to the needs and chances for development for individuals, communities, natural environment and indigenous cultures.

Figure 1.2.: The detailed structure of the CRR:

CRR

Environmental rating   **Socio-cultural rating**

Social rating   **cultural**

rating

Environm.   Products   environm.   Empl. Relations   Mgt. System extern.
Management   data   Stakeh
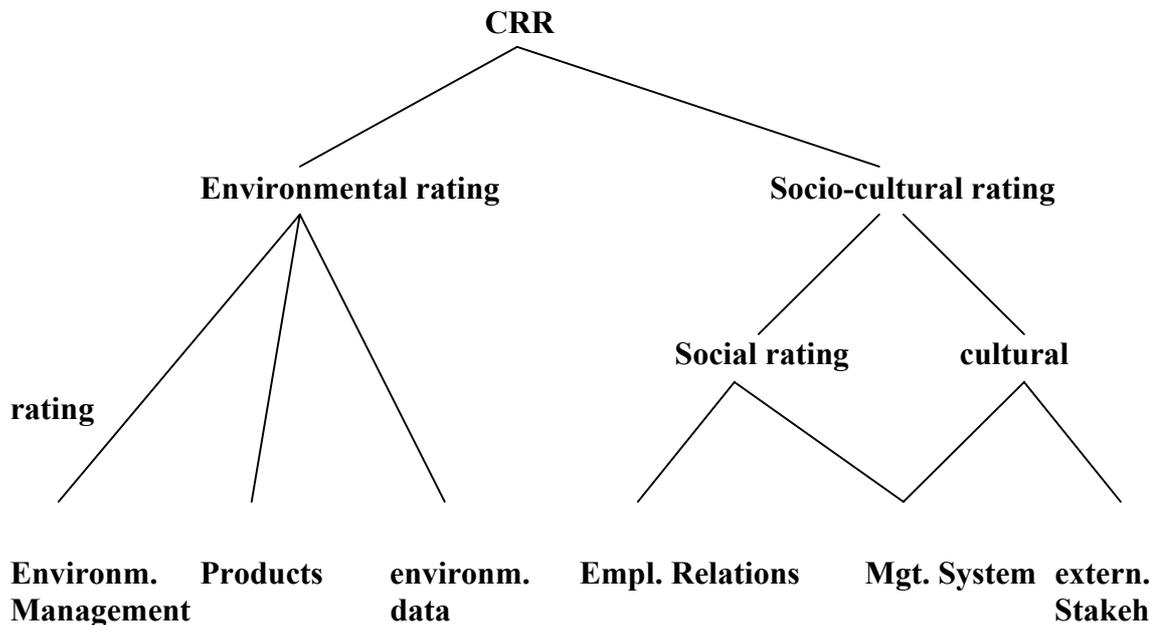
After the introduction of the socio-cultural parameters, the CRR normally weights the environmental rating with 50% and the social-cultural rating together with another 50%. This percentage might be altered according to an industry's special features, which have been defined by the industry report. The social rating comprises the employees relations

(weighted with 80%) and the management system (20%), whereas the cultural rating analyses the relationship with external stakeholders (80%) and the management system (20%). This approach provides an overview of a company's activities, its environmental impact and the managerial approach one side, including the direct internal and external stakeholders on the other.

This report analyses oekom researchs problems with the application of the criteria in the socio-cultural part of the rating.

oekom research evaluates the provided data and ranks the companies on a twelve-point scale which ranges from A+, signifying "The company acts in a particularly progressive manner" to D-, signifying "few or no positive activities worth noting were identified" (oekom, 2001).

As oekom researchs publication state, "the grade in the areas of examination are combined, according to their weighting, to form a final grade valid for the entire company" (Innovation durch Transparenz, 2001).

oekom researchs experience is collected in a handbook, which is the most important tool for the analysts to decide on the criteria and to find the final rank. The access to this collection of former decisions is comprehensively restricted to oekom researchs analysts. In practice, the analysts have intense debates about single decisions, because especially the criteria for cultural sustainability are ambiguous. The manual therefore often shows different and even opposite entries by oekoms analysts, reflecting the process and the difficulty of finding overall accurate criteria.

1.3.   oekom researchs managerial challenge

oekom research faces two problematic areas, whose implications to each other are not clearly defined:

- The problems in processing and evaluating the data provided by companies, e.g. from Japan, and

- The development of the German market for ethical investment. Here, oekom has to establish and maintain its competitive position, in order to reach profitability and long term development.

The CRR is introduced and accepted in the German Market. The Japanese demand stimulates expectations, where a new national market develops opportunities oekom might react on.

oekoms managerial problems consist in a strategic decision about the importance of the cultural rating and the Japanese market, and the corresponding adaptations of its product and processes.

Chapter 2: Synopsis of the ratings of Jusco and Sainsbury

This chapter provides a direct comparison of oekom researchs analysis of two companies rated according to the entire criteria of the CRR. As the special conditions within an industry define the preliminary weighting of the rating, both companies selected are in the same business: retail, which is weighted by the general scheme.

2.1.   result of the rating

Sainsbury (U.K) has got an overall mark of B – and is leader in a ranking of 30 companies. As such, and as representative of the European economy and its criteria, Sainsbury might serve as benchmark for the whole industry.

Jusco (JP) is the only Japanese company that provided extensively information, achieving with a rating of C rank 7.

2.1.1. The **overall result** of ranking 30 companies in the retail industry revealed a range of performances between D+ and B-, with an average of C-.

Jusco's overall sustainability was ranked at C, Sainsbury at B-.

Range:

average

                                     Jusco   **Sainsbury**

D-   D   **D+**   **C-**   **C**   C+   **B-**   B   B+   A-   A   A+
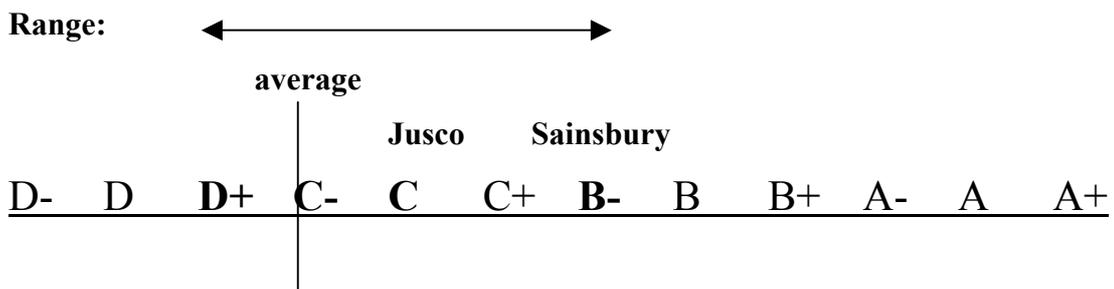
2.1.2. The result of the **social rating** shows an average of C-, with a range from D to C+. Jusco's social sustainability was rated at C, Sainsbury at C+.

Range: ◄─────────────────►
average

Jusco   Sainsbury

D-   **D**   D+   C-   C   C+   B-   B   B+   A-   A   A+
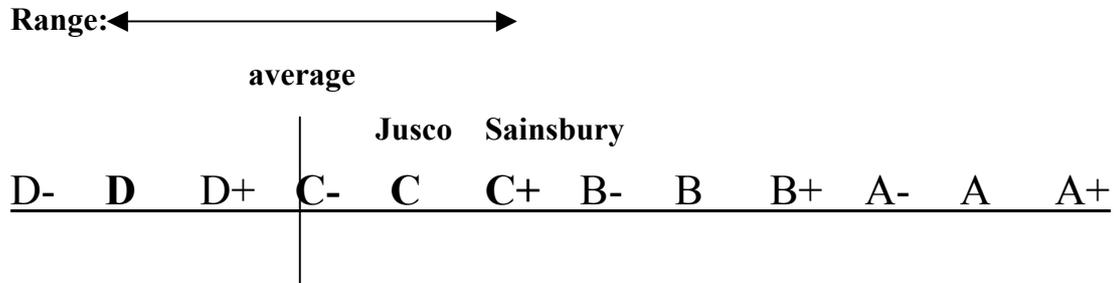
2.1.3. The result of the **cultural rating** reveals an average of C-, with a range from D+ to B-. Jusco's cultural sustainability was rated at C, Sainsbury t B-.

Range: ◄─────────────────►
Average

Jusco   Sainsbury

D-   D   **D+**   **C-**   C   C+   **B-**   B   B+   A-   A   A+
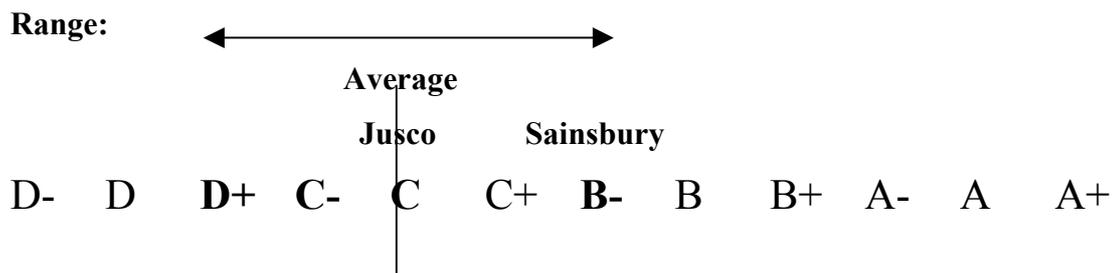
The range of scores between B- and D in the entire rating reveals, that the companies performance according to social and cultural sustainability are far away from the conceived best practices, which would lead to an A-score. oekom researchs analysts now realise, that even a B is a relatively good result. Sainsbury might serve as benchmark as best in class, but still has big potential for improving its performance.

In practice, this leads to major misconceptions. Although the score of C+ i.e. for Sony was said to be a good result, the company's management claimed, because it perceived their result parallel to a banks rating of credit worthiness- where a B score is awful.

Jusco, as the only Japanese company rated, reached an average result in the cultural ranking, and shows a better performance in the environmental and even social area.

As both Jusco and Sainsbury are ranked in the top third, the authors hypothesis is, that the ranking is due at least partly to cultural bias of the data provided. The difficult process of communication between the German analysts and the Japanese companies might lead to an inaccurate rank. As shown above, there are no unambiguous criteria. Due to the lack of knowledge about the Japanese culture, oekom researchs analysts often must build upon hypothesis or assumptions.

2.2.   Detailed synopsis of oekoms investigations at Jusco and Sainsbury

Category	Sainsbury	Jusco
General	Leading retailer in the U.K 833 stores in the U.K., Egypt, U.S. family business since 1869 no production facilities	One of japans leading retailers 114 subsidies, 34 affiliated companies created in 1970, then: mergers, acquisitions and cooperation
Business 1997-99	Turnover: + 13,0 % Net income: + 14,0 % Employees: + 6,5 %	Turnover + 9,5 % Net income - 90,0 % Employees + 33,0 %
Policies	Equality and diversity Employment Work balance Disability Fair trade Codes of practice	Corporate Philosophy: "Pursuing peace, respecting people and contributing to communities; committed for fair trading; positively respecting social responsibility"
Implementation of policies	No social coordinators No socio-ethical audits Extensive training programs Projects with general goals External trainers	30 full-time social coordinators in functional unit ethical programs for entire company no measures nor deadlines reported
Reporting	Ethical trading Initiative Publications on the Internet Annual report: employee training and community involvement	Annual report "covers some aspects of ethical/ social reporting Information provided is not very comprehensive

Staff relations

Category	Sainsbury	Jusco
Channels	Continuous feedback by management annual attitude surveys/ feedback	No information, but: strong labour union representation
Women	1 at the board 4 at the board of Homebase	None
Working time	Weekly: 21 hours Vacation: 24 days	Weekly 38 hours Vacation 20 days paid + 105 days to compensate the Japanese system of working on weekends and national holidays
Turnover/ employee	1997-99: + 8 %	1997-99: -20 %
Staff fluctuation	Near 0	8 % per year
Dismissals	Restructuring in 3 years. 5000 outplacement service	Only as disciplinary punishment

Personnel development	Training programs, assessments cyclically realised by the HR Management centre oriented at a national recognised standard. Open for all levels Job rotation/ multi-skilling	"step-up program examination" for higher qualifications, as part of a training on the job-program
Payment	At all levels: Profit sharing Payment in case of illness Provision for retirement Maternity grants Paid parental leave Gender: no disparities In developing countries: according to industry standard	At all levels: Regular health insurance Payment in case of illness Provision for retirement Maternity grants Paid parental leave Stock option: 5% contribution Gender: no disparities In developing countries: Japanese standard
Social facilities	Non-smoking offices Relaxation rooms External nursery facilities	Relaxation rooms Non-smoking offices (no data) No day nurseries
Non-discrimination	Ratio of female staff: Over 60% Ratio of disabled: not compiled Policies and trainings as above Confidential phone line Adjustments for disabled staff (voice-controlled p.c.) 2 "Ease" awards as best employer of disabled people	Ratio of female staff: 37 % Ratio of disabled: 1,6 % Trainings in human rights Punishment of discriminatory behaviour
Child labour	No staff under 15 Policy based on ILO conventions Constant monitoring with own facilities	No staff under 15 No social audits, but "certain, that there is no child labour"

External relations

Suppliers	Must comply to internal code of practice, published in leaflet and mentioned in annual report Suppliers have to adhere in writing Monitoring through initial risk assessment, followed by regular visits and questionnaires Independent party inspections	No information
Customers	Customer research All stores are easily to reach with public transport Special access for disabled people	Store managers reply to all Opinion cards Most stores easy to reach New stores include facilities for disabled people Sign language trainees

Customers (continued)	Labelling programs for people with diabetes or allergies Product information provided Fair trade: More than 20 products no undue pressure on suppliers code of conduct independent label Fairtrade Mark	Anti-allergic food Product information provided Fair trade: "not familiar with social labels", but: "Juscos 5 trade principles"
Community involvement	Community program, focussing on educational and caring projects Support of self-helping groups close to the stores Projects with national charities Food donations Environmental and arts projects Budget for local involvement: GBP 1 mill. / year GBP 2,5 mill: Crisis Fare Share	1% of profits to the Aeon Foundation, for social and environmental projects in the neighbour communities long term reforestation Youth exchange program Aid to disabled persons Sponsoring of disabled athletes Cooperation with local NGO Slogan contest at schools

Activities abroad

Social standards	Socially responsible Trading Policy at all levels All suppliers must comply to "acceptable standards"	Compliancy with local standards Japanese level of wages and promotion everywhere
Author. regimes	Not applicable	Malaysia, China
Assessment of political and social consequences	Discussions at the trading and technical, then Director's level	No information
Cultural adaptation	No alcohol and pork in Egypt, to meet customers preferences Adaptation of local habits	No information
Use of local resources	90% from British farmers	No information
Company's history	No claims	No information
Corruption	clear, transparent codes of conduct and control; external investigations: no claims July 2000: potential monopoly situation Minor claims: employment conditions	Strongly prohibited, disciplinary action. External investigation: no fines or settlements due to anti-trust

2.3.   Interpretation of the rating on the potential background of cultural bias

Although oekom researchs manual of criteria was not accessible to the author, the above presented synopsis shows the basis of assessment of the Japanese and the British company. The interpretation of this set of data leads to a better score of sustainable activities for Sainsbury. The authors hypothesis is, that the result is partly due to a better communication between oekom research and Sainsbury, compared to the contact with Japanese Jusco. It is assumed, that people at Sainsbury were able to understand oekom researchs questions and to answer in a comprehensive way within the same cultural web. The main differences between Sainsbury and Jusco offer indicators for the cultural bias.

2.3.1.   Business and employee relationship

Sainsbury's track record shows a continuously improved performance from 1997 to 1999, increasing turnover by 13%, which is exceeded by an increase of net income of 14%. The improved profitability is might be due to the restructuring program, in which 5000 employees have been dismissed. The new strategy required then the increase of the number of employees, but only to 50 %of the turnover's increase. Turnover per employee improved by 8%.

Sainsbury's history reflects the implementation of modern management tools and strategic measures for a middle or long term development. The author assumes, that the good mark contributed by oekom research reflects on Sainsbury's management system,

that focusses on profitability and shareholder value as drivers of middle and long term sustainability.

Jusco also shows an improved turnover- assumingly due to the development of the retail branch. Instead of improving its profitability, Jusco looses 90% of its net income in the same time frame than Sainsbury: an obvious indicator for managerial problems. Jusco employs 33% more people, while profitability is dropping dramatically. Consequently, turnover per employee drops by 20 %.

Opposite to Sainsbury, a functional unit with 30 social coordinators is run, and all the wages are at the same level overseas. Jusco is used to the dialogue and struggle with strong labour Unions and accepts the primacy of the employees rights- a signal for a strong perception of social responsibility.

Jusco reacts to its loosing profitability by employing more people. For a western observer, used to western business practices, this is managerial decision is difficult to understand, because it increases costs in hard times.

Personnel development at Sainsbury implements western standards of trainings, feedback, communication and promotion, whereas Jusco's approach follows a "simple" step up promotion according to acquired skills and knowledge. From a western perspective, the implications for the organisational design, knowledge management and a company's flexibility have a big importance.

The cultural background has big influences on gender questions. There are not many women in Sainsbury's management, but none in Jusco's leading hierarchy. How should this fact be interpreted and assessed? According to the global agenda for equality, Jusco steps far behind, but acts normal according to the Japanese culture.

2.3.2. Policies, audits and reporting systems

Sainsbury has developed a bundle of policies in the context of environmental, social and cultural sustainability, adapting again Western standards and the state of the art of today's management tools.

Jusco, instead, builds upon a corporate philosophy, that shows general values, but provides no measures nor management systems to control and improve the company's performance. Furthermore, Jusco says not to be "familiar with social labels, such as Fair Trade".

The Western approach is very explicit, whereas the Japanese corporate culture builds much more upon tacit knowledge. For the intercultural debate, this is a big constraint for communication, because the mere translation of words does not reveal the intended message. The Japanese translator "is an interpreter not simply of language, but of gesture, meaning and context. His role is to support his team" (TROMPENAARS, 1997, pg.110). If the social and cultural performance is assessed by analysing its policies, audits and reporting systems, Japanese company's will receive bad marks - not because they perform bad, but because the criteria of assessment build upon culturally

biased assumptions. The central role of western management concepts leads to unitarist structures (WELFORD, 2001, pg.159).

2.3.3. External relations and communication

Sainsbury's management has worked out its strategy based on an analysis of Porters framework of competitive advantage. Especially **suppliers and customers** have been subject of investigation and structured research. Suppliers must adhere to Sainsbury's internal code of practice, and the orientation on customers requirements is build upon constant research and consequent marketing.

Jusco provides no information about how suppliers are selected and controlled. The communication with its customers is realised by "Opinion cards", each answered by the store managers. This reflects the importance of a intense face-to-face communication, in which individual claims and suggestions are well acknowledged.

Jusco seems to lack of any Western known managerial approach to base its strategic decisions upon. The frequent answer "No information" in the chapter on "activities abroad" is difficult to understand: Does the management really not care or assess the political and social consequences of its activities? The author assumes, that it is much more a question of the means by which this assessment is done. As described above, the Japanese approach reflects on the complex tacit knowledge that is the lifeblood of the national culture.

In the field of **community involvement**, both companies show similar activities, by investing in the direct environment. Jusco shares 1% of its profits with the local communities, a practice that binds the community's – and consequently the employees welfare to the prospects of the company. Sainsbury engages in communal project and on the national level as well.

In the case of community involvement, there are comparative practices, although the means are slightly different. Jusco more restricted to the direct environment than Sainsbury.

Concluding, the **analysis of the synopsis** shows the difficulty to compare the sustainability performance of companies, because they differ in the means to reach a more sustainable track record. Therefore, criteria remain ambiguous, because they build upon common agreed on benchmarks and assumptions. But a company might opt for another set of criteria, which fits better to its individual characteristics and requirements, contributing with its experience and attempts to a broader concept of sustainability.

When comparing the performances of Sainsbury and Jusco, this problem is cubed, because the cultural bias has to be recognised. The underlying assumptions of the Japanese culture and the equivalent importance of its tacit knowledge comprise the set of values, Japanese managerial practices respond at.

Chapter 3: German and Japanese experience with the CRR

3.1.   oekoms experience: the lack of Japanese response to the rating

oekom research provides ratings of 32 Japanese companies from the following branches:

IT	12	(Canon, Fujitsu, Hitachi, Kyocera, Matsushita, Mitsubishi, NEC, Ricoh, Sanyo, Sharp, Sony, Toshiba)
Automotive	5	(Honda, Mazda, Mitsubishi, Nissan, Suzuki)
Energy	5	(Chubu, Electric powers: Kansai, Kyushu, Tohuku, Tokyo, ORIX)
Chemical/ Pharmaceutical	2	(Hitachi Chemicals, Mitsubishi Chemicals)
Retail	2	(Ito-Yokado, Jusco)
Financial services	1	(ORIX)
Internet-Software	1	(Softbank)
Medical devices	1	(Shimadzu)
Telecom	1	(Nippon telegraph & telephone)
Water treatment	1	(Kurita Water)
Mechanical Engineering	1	(Shimano)

Most of these realised ratings did not include the socio-cultural part, which was introduced only in fall 2000. The whole IT-branch has not been rated with socio-cultural criteria. Hitachi and Mitsubishi Chemicals are to be rated in fall 2001.

Obviously, both international and national operating companies have been assessed with the same procedure. In the case of retailers, three companies have been asked to answer the questionnaire. One company only sent the annual report and was treated as "refuser", one sent a big dossier in Japan, which could not be translated and the third, Jusco, has answered the socio-cultural part of the questionnaire.

In the case of the automotive industry, six companies were asked to submit the questionnaire. One refused to fill the whole questionnaire, the other did not want to fill the socio-cultural part of it.

After one year of the introduction of the socio-cultural questionnaire, which completed oekom researchs most important product, the CRR, oekom research is faced with very little feedback from Japanese companies. Companies with another cultural background cooperate more easily with oekom research in revealing their activities in the socio-cultural area.

Consequently, all companies excepted Jusco, lost points and are now faced with a bad rank related to their global competitors. This is unsatisfactory, because it does not show the right and complete picture. On behalf of the Japanese companies, it is necessary to clear this picture, whereas oekom research must evaluate its processing and its rating criteria. In the following, based on interviews and internet research, explanations from both the German and the Japanese perspective for the low feedback will be provided.

3.2.   German explanations

oekom researchs analysts distinguish between 5 reasons for the rejection of the CRR, which might be divided into two sets of explanations. The first looks at the processing of information at oekom research, whereas the second set describes the German perception of Japanese statements and communication practices.

The five reasons listed by oekoms analysts (Modee, 21.8.01):

1. problems with the language. Answers in Japanese, misperception of oekoms questions

2. mistrust: Japanese companies do not know oekom and the rating

3. social aspects seems not to play an important role

4. organisation: difficulty to find the right person in charge

5. scarcity of resources: the questionnaire is said to be too big.

These descriptions show general problems, which stem from the experience with Japanese companies, but are not restricted to them.

3.2.1.   oekom researchs internal observations and self-criticism

oekoms practice as reason for refusing the socio-cultural part of the questionnaire:

oekom researchs practice evaluates the poor feedback as "refusing to answer on socio-cultural aspects". Consequently, the rating of these companies is bad. At the same time, oekom researchs analysts feel the need to work on the criteria of the CRR. In the first

year after introducing the rating products, many criteria have been downsized. When looking at the corporate socio-cultural responsibility in its specific context, oekom research focuses primarily on the international level of German based companies. Those should adapt to the cultural specifications of their host countries and accept another set of values and rules. Cultural sustainability includes the cultural adaptation of products and services along the whole value chain, i.e. cultural sustainable companies do not drive out local products from the market.

oekoms research analysts experience major problems when benchmarking companies from other cultures against European or even German standards. The rating process is perceived as culturally biased, but is said to be basically applicable. Since the whole CRR has been introduced only in late 2000, the criteria are subject of changes after each new realised rating. Many companies were rated before the introduction of the socio-cultural scheme, that now is in a kind of testing period, which the analysts describe as work-shop.

A recent question was about the U.S. practice to offer 10 days of holidays per year. This leads to a negative score, because the minimum required is 15 days, where the German average is about 30 days.

In the case of Japanese companies, it is even worse: A company that has a women at a top management position should be rated as progressive, because it shows a social impact in direction of equal rights. Benchmarked against a western standard, this is far enough from a good score. On the cultural level, it is obvious, that this company does not sustain the national men-centred culture, leading to a negative sustainability score.

oekom research has no negative benchmark against which it could rate cultural sustainability, because this concept reflects a dynamic process instead of a static concept of culture. The question therefore is, how the Japanese culture will change and what a company's contribution in this dynamic process. As no stakeholder group on the local, national, international and global level can be excluded from this complex process, it is impossible to manage or to rate it by a single organisation.

According to the restriction to environmental issues until 2000, oekoms structure follows the differences of the ecological impact of business branches, for not to rate retailers against the oil companies. Therefore, the distinction not between cultural regions was not decisive. Now, oekom research faces a new set of question which exceed its capabilities. This is best symbolizes by the fact, that filled in questionnaires in Japanese idiom simply cannot be translated and therefore will not appear in the final ranking.

A last point is the lack of information about Japanese national standards and laws, that would explain a company's activities. On the other hand it would exceed oekom researchs capabilities to assess the societal background of every country of the world. A strategic decision about the importance of the Japanese market for oekom research is therefore required.

3.2.2. oekom researchs perception of the Japanese communication

oekoms communication is realised mainly by formal letters, inviting companies to fill in the questionnaire (cf. Appendix). When a representative of the company is defined, the main contact is via telephone. Companies willing to refuse the whole or part of the CRR, do so when faced with a call from oekom research.

The communication with Japanese partners is perceived as very polite, formal and obliging. The questionnaires concerning environmental issues are filled in and added by large data bases, presentation slides and lots of printed papers. For German analysts it is often difficult to find the relevant information in the packages supplied. Because of their "belief in facts and numbers", Japanese are called the "Germans under the Asians".

On the other side, oekom researchs analysts perceive, that Japanese companies are not used to talk to strangers about the "good things we make in our home". It would be against the honour, and Japanese people would feel embarrassed. This is seen as reason for the fact, that only the company's environmental and not the socio-cultural performance is revealed to oekom research.

The lack of socio-cultural standards and labels for fair trade in Japan, underpins the perplexity of Japanese companies when it comes to these issues. "They are simply not used to those questions" (MODEE, 2001).

Japanese companies are seen as very hierarchical, in which it is difficult to obtain quick responses. As an analyst is a women, she faces large problems when she contacts a Japanese company without a male colleague on her side.

Japanese companies are interested in ecological issues, and work on their environmental impact. The social and cultural dimension is out of interest. If social issues are mentioned, they are restricted to the company's limits. Showing often a good relationship with their employees, most companies have no conscience of their "outside"-impact.

It is felt a strong sense of competition among Japanese companies. This disables a cooperative culture and restricts information because of the fear to loose a competitive advantage (HASSLER, 2001).

Japanese companies ignore the western standards, but now are forced to react on them as market requirement for their long term survival.

In my opinion, this points to the fundamental contradictory issue, because it implies a global harmonised culture which is build upon the primacy of economy, instead of the right for individual personality and development. It remains subject of research, to what extent individual, local, regional and national specifications will (and should) survive in the global economic order.

Cultural sustainability reflects on the treasure of cultures to respond to local requirements, such as natural environment (Japans island-situation), historically grown

traits of identity, religions and spirituality rooted in the environmental, historical and spiritual context, that offer contextualised answers to daily and fundamental requirements. The extinction of autochthone and indigenous cultures through colonial and neo-colonial activities until the present day is a loss of knowledge and wisdom, sacrificed for the welfare of a global culture centred on western profits and its corresponding values.

oekom researchs analysts notice the dramatic changes in the Japanese society and economy, in which lifetime employment and family - orientation in the Japanese companies are loosing ground. "It would be fine to know more about this development", an analyst states.

The German explanations reflect a basic self-scrutiny, that could enable oekom research to tune its structure and competences towards a contextualisation of its approach. Information about the Japanese context is derived from direct personal contact and evaluation with colleagues. It is felt the need of a formalised continuous information about the background of the Japanese development.

3.3. Japanese explanations

At this point, a fundamental shift of perspective towards the Japanese analysis and style is introduced. The reader of this work is confronted with the content and the style, information is provided by Japanese partners, and the resulting phenomena of intercultural communication. The implications for the CRR will be evaluated in the fourth chapter.

oekom researchs experience, that most Japanese companies do not answer the questions concerning cultural responsibility reflects in itself the constraints of the intercultural dialogue. There is no company- specific argument for rejecting the rating. Instead, specialists emphasize the historical context of the Japanese economy.

The following analysis of the Japanese explanation is realised on the basis of internet research and interviews the author realised with several Japanese partners of the CRR. The contributions focus on three main areas: 1) the business background in Japan, 2) the way, traditional culture is treated, and 3) the implications for the CRR.

3.3.1. The business background in Japan

The structure of the Japanese economy is characterized by a dualism between domestic companies and those that operate on a global scale. While the domestic companies are built upon governmental protectionism and traditional national culture, the trans- national companies, TNC, have learned to integrate profitability and shareholder value into their strategies and practices. Whilst companies in the global competition

"rationalised their factories and improved operations, leading to the highest level of productivity in the world,…., the rest was under government protection and has never been exposed to international competition. According to Mr. Ishihara, the production cost for Japanese rice is several times higher than the world market price. The introduction of a competitive environment will be a "big shock for most of the Japanese companies". (ISHIHARA, 2000)

The tension between those two ways of doing business is an internal problem that reflects the basic problem of Japans economy into the global context. It would be an interesting subject of research, how the Japanese society works on this phenomenon.

A special feature of the Japanese economy, based on the also in the West known KEIRETSU, is its mutual shareholding, called MOCHIAI. It means, that most companies at the Tokyo Stock Exchange, TSE, are owned by Japanese institutions. As individual investors possess only 25% of the stock market, this mutual shareholding restricts the influence from individuals. The consequences of this structure are symbolised by the fact, that 84% of the companies listed at the TSE held general meetings at the same day in March (ADACHI, 2001).

This system helps to stabilise the Japanese companies, defending them against takeovers, but constructs a national economy as homogenous block, in which information is restricted to the insiders. Through the shareholders disparity, there is no controlling shareholder, which decreases the bargaining power of the shareholders in relation to the bargaining power of the employees. This structure might be the background for the big emphasis on employees by the Japanese corporate management

(WALDENBERGER, 2001). This system was extremely successful during the 1980's, but began to collapse in the 1990's, in which companies were forced to internationalise. As employees are more bound to national borders than capital, the Japanese traditional system to focus on "employees first" now leads to a significant competitive disadvantage (WALDENBERGER, 2001). The upcoming crisis of the Japanese banks accelerated the discovery of the structural problem. There is no new model available, which could integrate the Japanese features into a path to sustainable development of its national economy and business practices.

As the CEO at Fuji Xerox, Mr. Kobayashi observes, many Japanese companies surprisingly deny a strategic cooperation with competitors. In consequence, "corporations tend to be managed by professional managers selected in a rather self-perpetuating manner." (ISHIHARA, 2000)

Not surprisingly, the press publishes continuously information about illegal organisations and activities involved in business practices (ADACHI, 2001).

As it is difficult to distinguish the ownership of the Japanese companies, it remains difficult to establish a transparent reporting system, which is integrative part of any system or standard- a big constraint for the assessment of the social and cultural sustainability. The steps towards sustainable development of the Japanese Economy now must close the gap between the practice of domestic and international operating companies.

Equally not surprisingly, for Keidanren, then biggest constraint to the development are governmental regulations (KEIDANREN, 2001). This analysis supports the criticism,

that Keidanren aims only to protect the profits of the Japanese companies (AYUHA 2001).

The ten most profitable Japanese companies now introduced ethical issues- which is said to be due to their scale economy- they are simply able to finance those programs, which smaller companies can not afford. The ongoing recession in Japan forces companies to focus on short and middle term profitability, whereas ethical issues are typically add-on items on the rating agenda.

The change of the Japanese economy is best shown by the increasing importance of the ECOFUNDS, which are mainly supported by individuals, especially women and young people (AYUHA, 2001).

The economic development in the context of internationalisation of the Japanese economy is based on the concept, that "overseas" is a synonym for the U.S." In fact, one of the crucial competences of the Japanese economy in the last century was its ability to "study actively Western concepts as engines for modernisation" (AYUHA, 2001). Concerning their ethical performance, many analysts recognise, that "we need to adapt even to the U.S.-system, to contribute to a better global standard, consistent with the Japanese culture" (INOKI,2000). One important contribution for this new standard might be the actually in Japan developed facilities for "E-trust", a technology that enables face-to-face-contracts via Internet (KOBAYASHI, 2000a). This would reflect on the crucial importance of face to face communication in Japan (INOKI, 2000).

Another big constraint to further development is the employment relationship- whose analysis is an integrative part of the social rating realised by oekom research. Especially the practice of lifetime employment is in the focus of criticisms. Positively seen, this reflects the traditional managerial approach to place "primary importance on personnel" (AYUHA 2001), which is based on the concept, that the company is the UCHI, home, of the employees. This improves loyalty and motivation, but observers state, that Japanese workers make their companies "nice places to live" (ISHIHARA, 2000). The honour of every member in this strong social context must be preserved. This leads to many layers in the corporate design, in which older employees can be accommodated, in order to "save the face".

The Japanese culture emphasises the importance of each person and its contribution for the whole. In traditional Japanese companies it is difficult to meet people who have fear to be "disposed" – a common situation in the Western capitalist context. Instead, Japanese companies use to have MADOGIWZOKU, which might be translated with "window-side-employees", who spend their time unproductively looking at the window, but still being in charge of a job (ISHIHARA, 2000).

3.3.2. The cultural background in Japan

Japans culture is the result of a long history of societies that had to cope with the situation on a crowded island. The richness of the Japanese culture comprises the historical experience of focussing on efficiency and flexibility. The daily need for compromises and standing together against influences from outside - be it natural catastrophes or the contact with other nations, was the fertile soil of a strong culture

which preserved the identity and the survival on the island. The roots of the Japanese identity is based on the belonging to a social group: Ie (family), mura (village) and kaisha (corporation), "in which the members are supposed to show "wa", harmony" (KOBAYASHI, 2000).

The individual gets its identity though its place in the men dominated hierarchy, from which it can make a contribution for the community. Japan's culture is community-minded rather than globally minded (INOKI, 2000). Its ethics are, based on the daily requirements, realistic rather than idealistic. In this context, the Japanese culture has much more affinities to other nations of the South, as the saying of a Zimbabwean writer, "Europeans have many, we Shona have no reasons to die for" shows (PATHISA, 1995)

Japanese ethics are restricted to the daily compliance to the law. To be good means not to violate any law, a law which allows i.e. political donations (ADACHI, 2001).

Communication is based on the central importance of face to face contacts (INOKI, 2000), a fact that should be considered, i.e. when voice mail is to be introduced in a company.

The key traits of the Japanese culture reflect a big conscience and potential for sustainability.

The dark side of the community's importance is, that "any act to disrupt harmony is regarded as wrong", which leads to a "strong pressure to conform and adapt to a group" (KOBAYASHI, 2000). Creativity seems not to play a strong role in this context. The

concept of YOKONARABI means "not to be that gets hammered down. It is based on the Japanese proverb: "The nail that sticks up gets hammered down.""

The above mentioned system of life - time employment generates dependencies, that underpin this risk avoidant attitude (ADACHI, 2001). This conservatism of the Japanese society and the low green consumerism is seen as major constraints to any change (ADACHI). At the same time, the Japanese society has the capability to implement a change once it was decided. The search of criteria for the assessment of the social and cultural sustainability of corporations must be regarded in this context.

Further research might analyse the implications of this Japanese group think.

This human centred philosophy faces indeed big problems when faced with the quest for profitability. Due to the practices described above, overhead costs use to be enormous in Japan. "Going international" on a global scale requires management practices oriented on profitability and productivity, which will imply a big shock for most of the Japanese companies.

At the same time, the global context now requires a focus on ethical issues, and Japanese managers do not know how to define this, because the Japanese ways of social responsibility seem not to apply.

Beside this, Japanese companies are not used to publish a social responsibility report, because it is "against the honour to talk about the good things we do" (ADACHI, 2001). On the other hand, "the negative approach may go against the grain of the Japanese",

Adachi adds. This is one of the major reasons for Japanese companies to reject the CRR proposed by oekom research.

In fact it remains debatable, to what extent the western style is oriented on deficit instead of positive performance. The respective culture in the West is characterised by the devaluation instead of the recognition of peoples contributions or a company's performance. The debate about sustainability in the Western hemisphere starts from the observation, that growth and ever raising profits cannot be the final aim of an economic system. Managerial excellency in the West was often enough build upon the capability to distribute and hide the total costs of activities i.e. to the environment, developing countries and future generations.

In the close society restricted to the island, knowledge is inherited and developed through the history. For the traditional Japanese style, relationship of trust is based on tacit knowledge (KOBAYASHI, 2000), which becomes difficult, when communication with strangers is required, or when the old paradigms do not apply any more. The western style to be introduced builds upon formalised, explicit trust and knowledge, that can be passed from one organisation to another.

Japanese statements, such as "We are not interested in ethical issues", "Japan has no knowledge about ethics", "Ethics are opposite to profitability", "We are not mature enough to make a social responsible fund popular" gain a more complete sense when set in relation to the global requirement to work on ethical issues: they should be perceived as demand for the rules of the game, not a statement about the Japanese culture.

The quest for cultural sustainability implies the right for cultural development, articulated by the UNO in 1996. Even a superficial view reveals the ongoing dynamics within the Japanese society in our days. As in any culture, the special Japanese conditions must be defined to match the future prospects and to find the balance between Japanese personality and the comparative advantage of the Japanese economy. As seen above, this is one of its cultural core competences.

Mr. Kobayashi, the chairman of the board at Fuji Xerox, was quoted above in the context of YOKONARABI - not to be hammered down. He points to a misunderstanding of the Japanese concept of KOJIN, that was the first translation of individualism in the 19th century. Instead on focussing on the balance of individual and society, "we may have emphasised individual freedom and equality in trying to denounce pre - war totalitarianism." The Japanese society is said to be "lagging behind in nurturing the spiritual sense of publicness or social participation" (KOBAYASHI, 2000). Obviously, the Japanese culture is an excellent companion in the global debate about sustainability, which discovers constantly the increasing importance of spirituality.

For Japan, "the pressure to conform might be a fatal disadvantage, because it blocks the creative mind of the individuals…. The kind of individualism desired requires permissiveness and tolerance for differences as well as the ability for self-expression, because it is important to build mutual trust by sharing values for human solidarity…while preserving individual uniqueness…This means the opening and expansion of the concept of "wa" (harmony), rather than the denial of "wa" as a traditional value. More important is to possess the kind of philosophy and ethics that will open our eyes to the essence of various phenomena in times of change…We will need to have stronger self-restraint and morals acceptable to the global community. Individualism will have to reinvent itself to go beyond the boundaries of one country or even a contemporary world." (KOBAYASHI, 2000)

3.4. Consequences for the CRR

The CRR is perceived as basically useful by Japanese partners, because it is neutral (AYUHA, 2001). It contributes to a development, which supports an increasing community thinking and green consumerism. The CRR "helps to understand, what is happening and to analyse the activities of the Government and the companies" (AYUHA, 2001). Potentially, the CRR might become a new standard in Japan, because it "reflects more the Japanese style by paying more interest on environmental risk and compliance with regulation" (AYUHA 2001). This is a clear Japanese invitation to contribute to the debate about the future of the national economy and society and to work on the implied market opportunity.

Chapter 4: Cultural differences and fit in global trends

Introducing findings of research on intercultural management, this chapter goes back to western means of analysis. In search of tools to understand oekom researchs problem, a benchmark definition of culture will be provided. Then the distinction between German and Japanese culture will be analysed, based on the research of Trompenaars. Finally, the context of CRR's development will be analysed on the background of the "a picture of the world and those within it" (WELFORD, 1997), detecting the ongoing shift of paradigms and defining the recent trends, which are symbolised by the communication between oekom research and the Japanese companies.

4.1. Definition of culture and its implications for the CRR

According to a benchmark definition, culture is "a pattern of basic assumptions, that a given group has developed in learning to cope with its problems of external adaptation and internal integration, and have worked well enough to be considered as valid, and to be taught to its members as the correct way to perceive, think, and feel in relation to those problems" (SCHEIN, in: NEWELL 1999).

This definition is build upon the assumption, that culture is related to "a given group", reflecting a rather static approach. Instead, culture is dynamic as the "given groups" are. A culture's definition is lime a balance sheet, showing the cultures characteristics in a limited temporal scope. It permits assumptions about a culture's past, but is outdated when the analysis is realised.

The debate on sustainability and the related problems at oekom research and in Japan, point out a second dilemma: what is the scope of " a given group"? Sustainability is perceived as global process. In consequence, the "given group" is the humanity, or the whole creation.

Japans quest not to loose the contact with the global competitive environment urges a stretch of its national culture. This is the other scope of the concept "given group". This tension between national individuality and global society is a general feature of the actual global economic system. Analysing the global trends of convergence and divergence, N. Adler concludes, that "Organisations worldwide are growing more similar, while the behaviour of people within organisations is maintaining its cultural uniqueness" (ADLER, 1997, pg. 60)

This trend affects oekom researchs analytical assessment of a company's cultural sustainability, because it transcends the monolythical and static concept of culture. If cultures are dynamic and not even homogeneous, the long term vision on culture becomes more important: Does cultural sustainability mean, that a company's activities should not have negative impact on the actual culture, or is the scope of the development the implementation of a globally agreed on set of common values?

The main part of the research relies on the first scope and struggle with the definition of what "negative impact" might be and how it could be avoided.

At the level of "global ethics", Chryssides and Kaler relate the Interfaith declaration of abrahamic religions from 1994, recognising the limited scope of religions and groups

that contributed to this declaration (CHRYSSIDES/KALER, 1996, pg. 68). The major problem with universal values remains, that it is easy to support and sign them. The transfer into real circumstances depends on their interpretation, which might show opposite results.

4.2. Analysis of the cultural differences between Japan and Germany

The following analysis of the cultural differences shows so to speak the balance sheets of Japan and Germany detected by leading researchers, and the force field, in which the cultural development is taking place in our d. The author is aware of the limitations of this approach, but wants to present the findings as pieces of the big puzzle of sustainable development.

4.2.1. Clustering national cultures

Cultural similarities and differences have often been subject of research. For the scope of this work, the findings of Ronen and Shenkar will be presented.

In 1985, Ronen and Shenkar constituted 9 groups, in which national cultures are integrated (in: HODGETTS/LUTHANS, 1997). These country clusters show a concentric structure, which is framed with a group of "independent" cultures. Japan is with Brazil, India and Israel part of the "independent" block, whereas Germany integrates with Austria and Switzerland the Germanic part of the "interdependent" whole.

Figure 4.1.: Ronen and Shenkars synthesis of country clusters
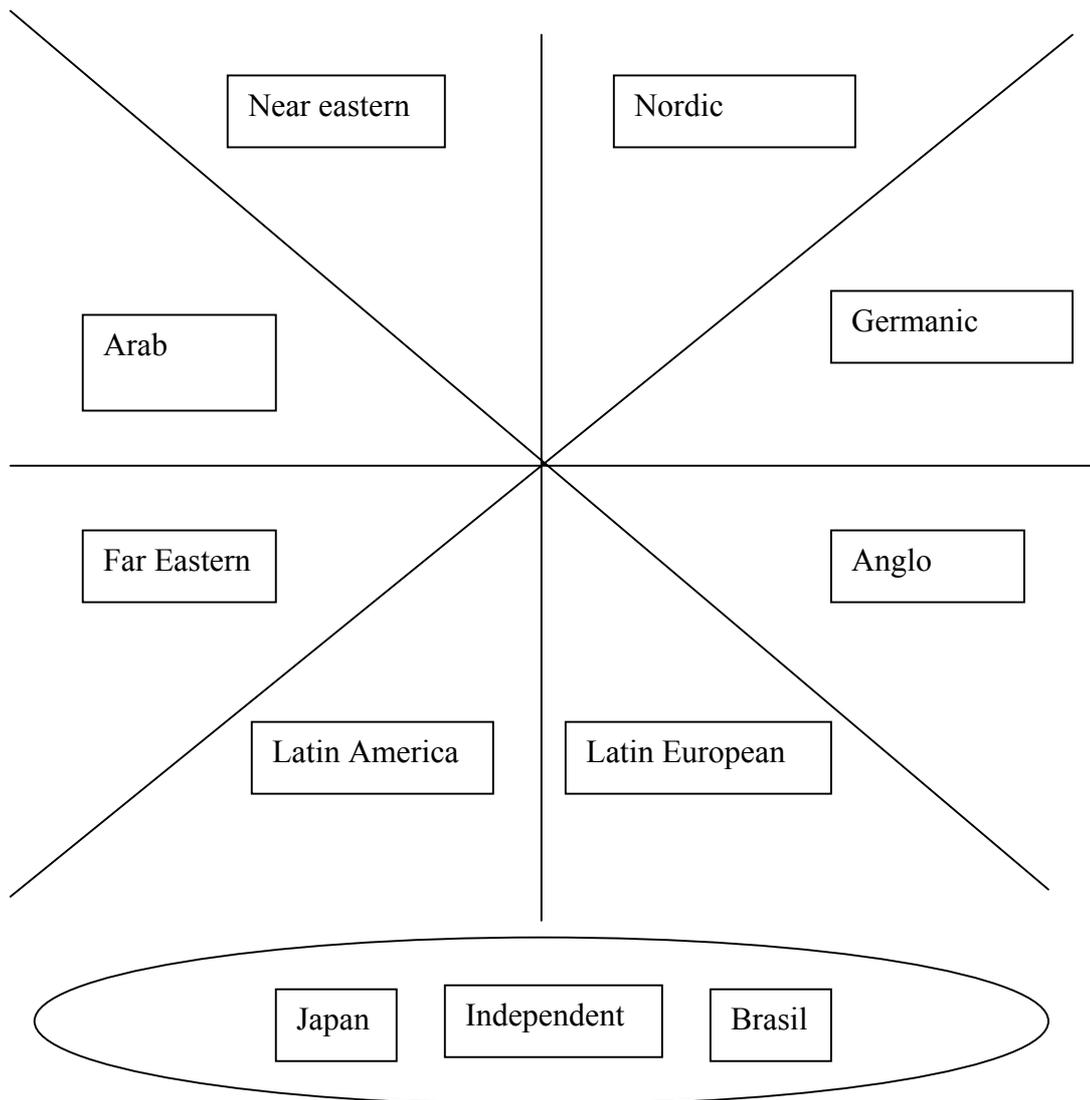
Source: Simcha Ronen and Oded Shenkar, in: BARTLETT/GHOSHAL1995)

As an independent culture, Japan has far less similarities with most of the analysed cultures. This is an important starting point for the intercultural communication: Germans will have less problems in understanding any culture in the central framework than in communicating with people form the "independent" cultures. This explains oekoms better communication with Sainsbury compared with Jusco.

4.2.2. Dimensions of the Japanese and the German culture

Analysing 23 nations, Trompenaars distinguished 1994 between 5 relationship orientations or cultural dimensions. (HOECKLIN, 1998). The outcome of Trompenaars research was the introduction of a force-field of five basic dimensions, in which all cultures develop their individual characteristics. This approach makes possible a definition of the similarity of cultures, providing a basis for the analysis of the potential convergences and divergences between cultures.

His findings in relation to Japan and Germany illustrate the problems oekom research is confronted with by the realisation of the CRR in Japan:

a)   Universalism vs. Particularism

This dimension describes the extent to which ideas and practices can be applied everywhere (universalism) or depend on the circumstances (particularism).
In the case of Japan and Germany, the scores are as follows:

universalism		*particularism*
Germany	**Japan**	

This cultural difference reveals big implications for the implementation of the German CRR in Japan: The belief, that criteria can be applied on a global level is not shared to the same extent by the Japanese people. oekom research starts from a formal approach whose criteria are said to be unlimited valid. Japanese company's will face difficulties

in applying the CRR, because they will not understand the aim of the criteria. As shown in Chapter 3, the Japanese intent to adapt to the global development is much more oriented at the actual circumstances. Based on Trompenaars recommendations, oekom research should "be prepared for personal meandering or irrelevancies that seem to go nowhere" (HODGETTS/LUTHANS, 1997)

b)   Individualism vs. Collectivism

This dimension reflects on the extent, to which people perceive themselves as individuals or as part of a group. The more a person perceives itself as belonging to a social context, the more importance is applied to rules.

individualism		*collectivism*
	Germany	**Japan**

Both national cultures are situated in the collectivist half of the range. This is an indicator for a proximity that provides better understanding of values and criteria. The actual trend of individualism is a challenge for both. As the Germans score lower at the dimension of collectivism, they will be confronted with Japanese resistance, when introducing a more in individualist values oriented rating. oekom research should be aware to have "patience for the time taken to consent" (TROMPENAARS, 1997) when realising its analysis.

c)   Neutral vs. Affective relationships

"A neutral culture in one in which emotions are held in check," whereas "emotions are openly expressed" in affective cultures. (HODGETTS/LUTHANS, 1997).

neutral		*affective*
Japan	**Germany**	

Japan is leading Trompenaars ranking of neutrality, and Germany is right in the middle. This result relates to an experience introduced in Chapter 2: One explanation for the big amount of data lacking any important information in the perception of oekom researchs analysts is that the neutral Japanese will not show the "good things we do at our home", guarding the intimacy of the UCHI.

The role of emotions in the crosscultural context is subject of recent research. E.g. by Kitayama and Markus (Emotion and Culture: empirical studies of mutual influence, 1997)

d)   Specific vs. Diffuse relationships

This dimension shows the extent, to which individuals define the relationship between the private and the public space.

Specific cultures provide a big public and a narrow, but guarded private space. The distinction between business and personal life is clear.

In diffuse cultures public and private spaces have the same importance and interfere in each other.

The scores of Japan and Germany are again very similar:

specific		*diffuse*
	Germany Japan	

Possible implications of this result for the CRR consist in the need to acknowledge the stronger interference between private and public ethics.

e)   Achievement vs. Ascription

This dimension relates to the basis of promotion- a typical criteria in the social rating.

In cultures building on achievement, promotion is the result of individual performance. oekom researchs investigations analyse, if promotion is equally distributed and if the management system offers tools for implementation.

"Ascription cultures accord status based on age, gender or social connections." Consequently, corporate promotion systems are not specified, but reflect the "face saving" of older employees, sometimes opposite to their performance, as the example of the "window-side-employees" shows.

Not surprisingly, the German and Japanese scores show significant different results:

| *Achievement*		*ascription*
Germany	**Japan**	

The implication for the CRR consists in the need to adapt the criteria of the CRR e.g. to the Japanese ascription model of promotion.

4.2.3. Promotional schemes: Elite Cohort or Functional ladders?

The Japanese "Elite Cohort Model" focuses on high potentials, that pass through "a tournament of elimination, leading the winners into the senior positions." (EVANS, in: BARTLETT/GHOSHAL, 1995). Through intensive training and job rotation, the potential of future managers is identified. Promotion opportunities depend not on policies of equal rights, but on fierce competition in a time scheduled tournament.

The "Germanic Approach" is much more functional, building its potential identification upon formal apprenticeship and the personnel development upon "functional ladders", in which competition is based on expertise (EVANS, 1995,). The visualisation of the different models provided by Evans show the following picture.

Figure 4.2.: The Japanese and the German promotional scheme
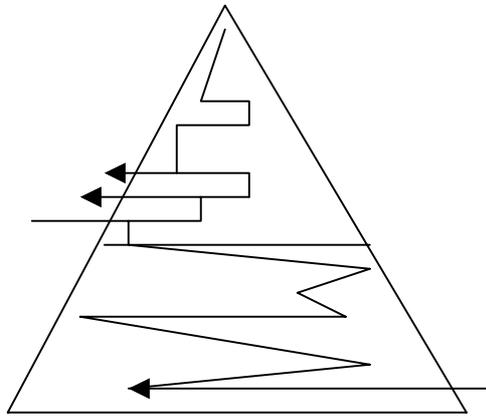
Japanese Elite Cohort Model   **Germanic Functional Model**
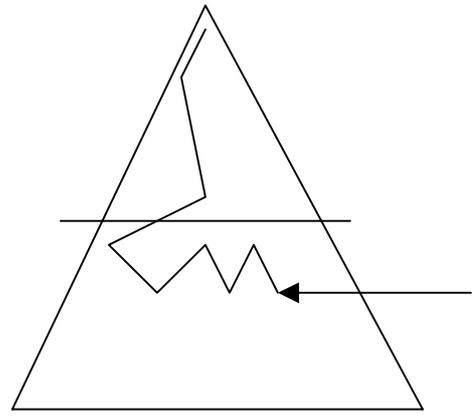
Source: EVANS: Managing Human Resources in the international firm

In: BARTLETT/GHOSHAL, 1995, p 655-658

The transfer of CRR's criteria to the Elite cohort model leads to a negative score, because oekom researchs analysts do not recognise the Japanese practice as a different system. On the other hand, Japanese companies are confronted with big problems when trying to implement their system overseas, i.e. when "recruiting local managerial talent in other countries. This has been described as the "Achilles heel" of Japanese management practices in an era of globalisation" (EVANS, 1997).

4.2.4.   Implications of the comparison of cultural dimensions

The comparison of the Japanese and the German culture reveals, that both the communication process and the application of CRR's criteria are far more difficult and complex than expected. Even if cultural similarities seem to allow the transfer of the

criteria of the CRR, one might suspect, that the environmental and socio-cultural impact of a company is assessed.

This communicative dilemma is an universal experience and serves as a common ground to the process of sustainability. As Mr. Fujisawa, co-funder of HONDA recognised, "Japanese and American management practices are 95% the same, and differ in all important respects" (cf. AL-OMARI, 1999).

The dialogue about sustainability embraces all possible contributions from people of different cultures, trying to find a sustainable path towards the future.

4.3.   Integration of the CRR into the Galtung model

The assessments of a company's cultural sustainability is based on the mutual relationship between universal values and their realisation in a particular environment. In Scheins definition of culture, values are taken for granted (SCHEIN: in: NEWELL, 1999).

Instead, there is a hermeneutic process of generation of meanings, which challenges both the actual reality and the underlying assumptions and everlasting values. The generation of meaning happens through the interference of particular circumstances with universal paradigms (RIES, 1989). The unfolding of sustainability is a challenge in the actual reality, alimented by visions of a "better" world, which are based on a particular set of values. oekom research and the Japanese companies do not struggle about right or false values, but with the means how to proceed in the present time.

Based on Galtungs force field analysis in the 1980's, the "picture of the world and those within it" (WELFORD, 1997) traces political and ideological trends during the 1990's. After introducing the model and the observed trends, the author provides an adaptation to recent shifts which open space for the development of the CRR.

4.3.1. Galtungs schematic world according to pure principles

Galtungs model described the global situation at the end of the cold war, plotting the main ideological forces in a single model. He distinguished between four "pure principles" (WELFORD, 1997), attributed to the political blocks:

- **BLUE** comprised the Western world, through which transcended the principles of the market and the emphasis on deregulation.
- **RED** comprised the communist block headed by the USSR, through which transcended the principles of state fixation and the primacy of Politics.

The blue and the red corner were the antipodes of the Cold War, generating the **"diagonal of destruction"** (WELFORD, 1997, p.18).

- **GOLDEN** comprised the Asian-pacific rim, especially Japan, transcending the principles of the "superindustrial breakthrough", in which corporations rule the world.
- **GREEN** comprised the underdeveloped and traditional nations and the green movement, transcending the principles of sustainability, connectedness, spirituality and simplicity.

The criticism of neo- imperialism was part of the ideological territory of the Red corner. After the cold war, the assessment of the **"diagonal of tension"** between the Golden and the Green corner experienced increased public perception also in the West.

In the green half, the debate over environmentalism and the attributed issues of environmental, social and cultural sustainability took place in the so called "rainbow society", establishing a pool of a plural mixture of ideas and derived activities:

Figure 4.3.:The diagonals of destruction and tension, and the rainbow society
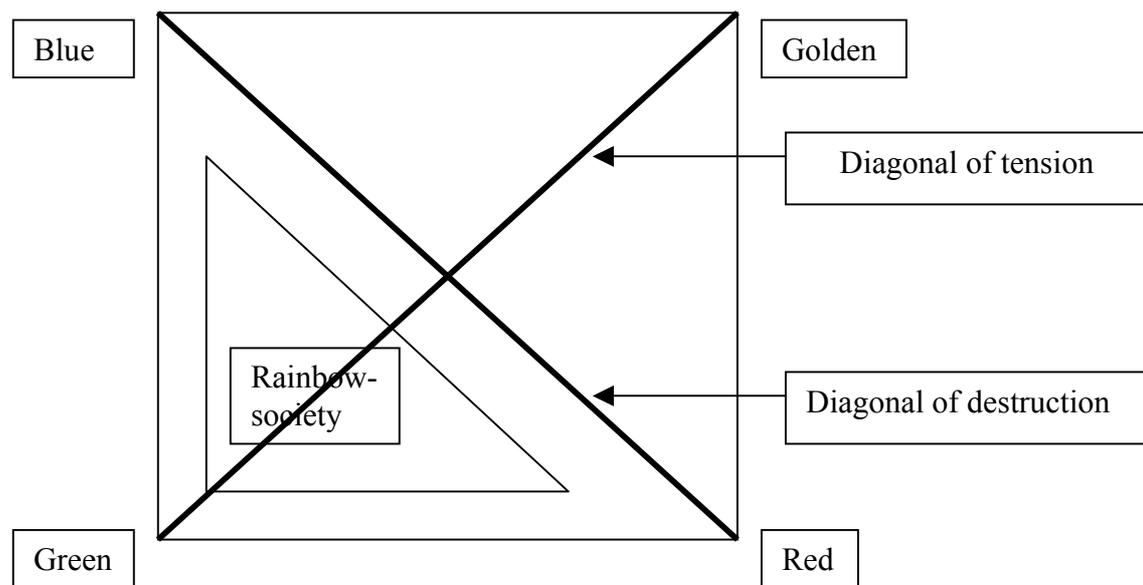
Source: WELFORD, 1997, p. 23

4.3.2. The itinerary of the rainbow society

Within this model, WELFORD distinguished four major trends, which enforce the especially the blue and the golden corner. At the same time, then green corner experiences a phase of strengthening, revealing a deeper gap between the global trend

towards the primacy of the economy and the requirements of the environmental, social and cultural diversity. As the rainbow society "challenges the domination of the large-scale capital and seeks to define business in a new way" (WELFORD, 1997) the struggle is heating up to the escalation between the promoters of and the opponents to the actual implementation of the globalisation in summer 2001.

The debate over environmentalism generated different approaches, which are oriented at the pure principles of the global shift and describe the corners of the rainbow society in the Galtung model:

- **eco-radicalism** sustains the broad principles of deep ecology, promoting a bioregional model as opposed to the golden trend.
- **eco-socialism** builds upon socialist analysis, promoting the confrontation with the capitalist system and the emphasis on social justice.
- **eco-liberalism** makes use of the existing market, which should be reformed in order to achieve a sustainable development.

The observed trend towards the eco-liberal approach leads to a general public agreement on its means and tools, defined as eco-modernism and eco-efficiency (WELFORD, 1997, p.28). As "any model of environmentalism outside eco-modernism frightens the corporate establishment" (WELFORD, 1997, p.29), the rainbow society is subject of a shift towards the golden corner, while corporate eco-liberal activities involve in a "hijacked discourse" (WELFORD, 1997, p28) and eco-socialist have lost their power.

Figure 4.4.: The shift of the rainbow society
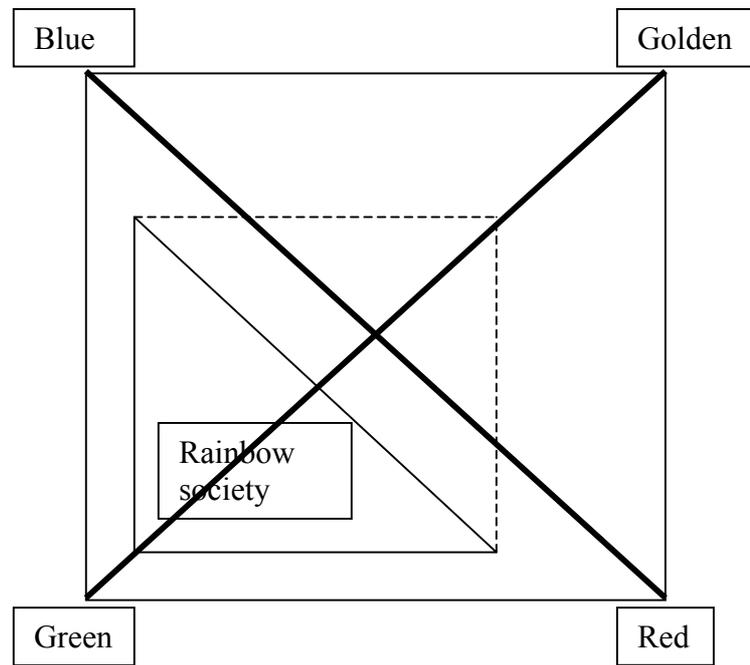
Source: WELFORD, 1997, p. 31

The consequence of this shift is, that the debate is turning back to the force-field of the diagonal of destruction with the resurrection of the "same old left-right arguments". The golden trend is perceived as "exactly the opposite direction of a more sustainable development…The challenge is simply to reverse this trend." (WELFORD, 1997).

4.3.3. Implications of the ideological analysis for the CRR

During the 1990's, the German green movement was divided between the so called "fundamentalists" and the "realists". Initially, oekom researchs targets were political and educative, reflecting a stronger emphasis on eco-radical and eco-socialist approaches. Today, the assessment of the environmental performance does not challenge the focus on eco-efficiency not the validity of the eco-modern paradigms. This explains the good acceptance of this part of the rating in Japan. As the move

towards the golden corner implies the simplification of analysis and solutions (WELFORD 1997), the CRR is perceived as an excellent tool in this context.

Introducing now the social and cultural rating and applying it in the home country of the golden corner, the CRR experiences many rejections. This is not surprising, because it challenges the golden trend at its roots. The Japanese ambiguity felt in relation to the CRR is due to the emphasis on eco-radical and eco-socialist paradigms.

The tension implied in the altered presentation of the rating now reveals the appearance of similar groups and trends within the perceived as homogenous Japanese nation. The trend towards the blue corner of eco-modernism is taking place simultaneously with the articulation of the "simple" people and their debate over sustainability. The Japanese rainbow society is growing. The crucial question for the assessment of companies in Japan is, if they act to increase their profits, or the benefits of the society (AYUHA 2001).

The paradigms of the red corner are not expected to play an important rule in the actual development, unless they pass through a strong hermeneutic process of generating new expressions.

The recent shift in Galtungs model implies the increasing contribution of the Japanese traditional culture and the modern debate over the nations prospects. While the golden corner is imploding, because the means of success in the last decades lost their ease of application, it will be important to support the safeguarding of eco-radical and eco-

socialist paradigms. The development in Japan will contribute to define the new expression of the global rainbow society.

Because of the strengthening of the blue and the implosion of the golden and the red corners, the rainbow society now must find its place in the triangle shown below:

Figure 4.5.: The recent shifts of the rainbow society
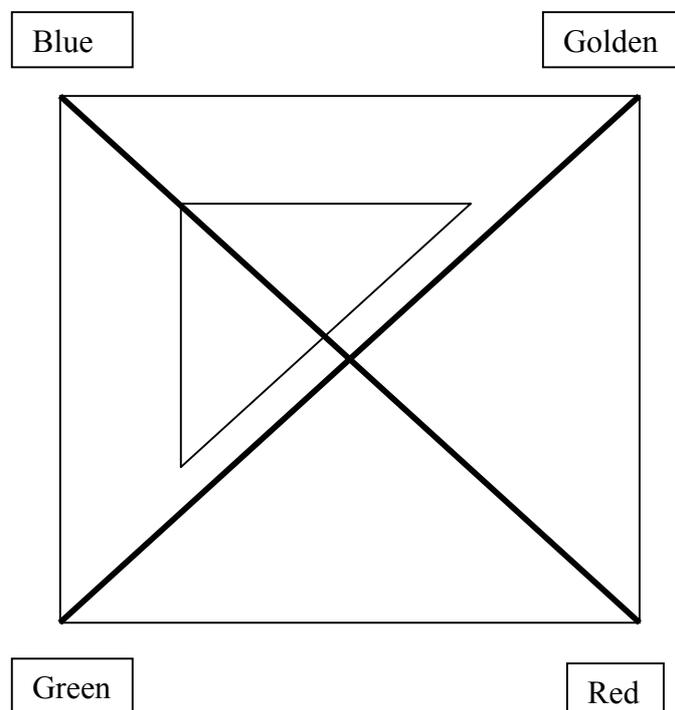
The CRR is a good tool to observe the Japanese movement and to stimulate a process that leads beyond eco-modernism. oekom research now must redefine its particular position within the rainbow society, deciding on the direction it will take. The importance contributed to the social and cultural sustainability will play a crucial role.

4.4.   Intercultural communication and positioning within the global politics

The CRR is a product, which provides information about companies and establishes communication between oekoms customers and the assessed company. While implementing the CRR, oekom research is faced with the general constraints of intercultural communication. The intended messages both of oekom and the assessed companies do not reach their receivers. Instead, the information provided is perceived, interpreted and evaluated on the background of different cultural clusters.

Before providing the final conclusions and the suggestions for oekoms management in Chapter 5, the findings of the previous chapters will be integrated in the three steps of the communicative process: *perception-interpretation-evaluation*.

a)   The **perception** of information depends on the selection of stimuli and information. Perceptual filters are "based on our personal experiences and causes us to see things that do not exist… and to miss seeing things that do exist." (Adler, 1997). This process is learned and culturally determined. In communication between culturally diverse partners, the intended message exceeds the perceived information, leading to a big degree of misperception.

oekom research must reveal the existence and the role of perceptive limitations and filters in the process of the intercultural assessment of companies.

b)   **Interpretation** is the process of making sense out of perceptions, which is based on former experience and meant to reduce the complexity of the perceived information.

The dark side of this process is, that " we only perceive those images, that may be meaningful to us" (Adler, 1997). In consequence, interpretation is based upon established categories (behavioural norms of the members of a group) and stereotypes (categorisation of experiences with other groups).

oekom researchs perception and interpretation of the Japanese answer lacks the acceptance of stereotyping as a natural process, because it aims to provide an objective interpretation of a company's performance.

c)   The **evaluation** of the Japanese information is the essential part of the CRR and the most difficult challenge for oekom. Evaluation plots the biased perception and interpretation with the own cultural standard of measurement. Intercultural research reveals, that "evaluation rarely helps in trying to understand, communicate with or to do business with people from another culture (ADLER, 1997). Due to cultural blinders, projected similarity and the lack of cultural self-awareness, the process of interpretation often leads to active alteration of the reality to fit the stereotype (ADLER 1997).

As the CRR's business is to rate companies against others, the evaluation of a firms performance is crucial. Although based on the scientific FHG, the means of CRR's evaluation are centred on the German perception and interpretation. Doing so, the CRR corresponds to a positivist approach of the managerial ideology, that "prefers quantitative arguments, scientific facts and alternatives which can be ranked in a priority order" (WELFORD, 1997). The CRR offers a framework of standardisation and legitimation, fitting well in the current corporate ideology. As any tool, the CRR is "not neutral, but product of cultures and systems" (WELFORD, 1997).

The CRR serves oekom researchs customers from the same cultural context to evaluate the performance of a Japanese company, benchmarked by the German practice. The interpretation and evaluation are the strength and the limitation of the CRR.

It might be used as starting point for the dialogue with Japanese partners- a process that will not generate profit on the short term.

As the Japanese demand for the CRR is increasing, oekom now is faced with the requirements of the intercultural dialogue, without having the tools and the experience to embark on this adventure. Trompenaars findings offer a basis for dealing with oekom researchs experiences with the CRR'S cultural bias in a structured way.

Both cultures show similar concepts of the relation of private and public spaces (specific vs. diffuse relationships) and of the importance of the social context (individualism vs. collectivism). Perception and interpretation will be relatively easy in this context.

On the other hand, communication while and about the CRR will be distorted by the big difference between the extremely neutral Japanese and the more affective Germans. oekom researchs analysts state, that the important information is difficult to discover in the data provided by Japanese companies. Affective Germans miss the personal involvement of the Japanese partners and are suspicious when confronted with "neutrally" presented information.

More problematic for the implementation of the CRR in Japan are the fundamental differences in the global acceptance of ideas, where the German culture is heavily build upon an universalist philosophy, whereas the Japanese culture is much more balanced. It is difficult to link CRR's universal criteria to the dynamic Japanese circumstances. oekom researchs analysts are facing a crosscultural criticism to the criteria of the CRR.

In the context of achievement vs. ascription, the CRR can be easily adjusted. The German evaluation of promotional opportunities is heavily based upon a cultural cluster, that is restricted to a few Germanic nations. oekom should acknowledge this and change the interpretation and evaluation of the data provided by Japanese companies.

Finally, the implications of the shifts in the Galtung model lead oekom research back to its foundation visions. As its market orientation and the operational challenges are increasing, oekom research shifts towards the eco-modern corner. The strategic stretch implies the quest for a new positioning within- or outside the rainbow society.

Chapter 5: Recommendations and conclusion

The first chapter presented oekom researchs actual economic situation, its CRR-related products and the framework the CRR builds upon, resulting in a dual managerial problem: the question of product differentiation and the need of the development of a corporate strategy.

In the second chapter, the analysis the ratings of Sainsbury and Jusco revealed the problems of implementing CRR's criteria, leading to a set of ambiguous results.

In the third chapter, both German and Japanese explanations for the weak feedback to the CRR in Japan were presented, including the hermeneutic shift to the Japanese contribution and style. This chapter shows the state of the situation oekom is faces with.

The fourth chapter introduces managerial frameworks for a better understanding of this situation. The analysis of both differences and similarities between the Japanese and the German culture is presented as a first step of the intercultural dialogue. The fit of oekoms approach in global trends, described by the Galtung-model, is added, because is defines the range of the implementation of the CRR.

This final chapter closes the loop of the concentric spiral. Based on the findings of this report, the author provides recommendations for oekom researchs management, in order to work on the managerial problems detected in Chapter 1.

5.1.   Challenge 1: Processing and evaluation of Japanese data

In the authors point of view, oekom has several options:

- To maintain the current practice

- To restrict the CRR to Western companies

- To invest in and to differentiate the CRR

The **current practice** is not satisfactory and threatens the efficiency and legitimacy of the CRR.

The **restriction to rate only Western companies** stabilises the validity of the CRR, because all companies are rated on the same basis. This would enable oekom to present a balanced rating. On the other side, the global context and the leading MNC's would not integrate the rating. This option is therefore equally not recommendable.

The author recommends to pursue the third option, investing in the differentiation of the CRR with the following means:

As shown above, oekoms analysis of Japanese companies is hindered by simple constraints, such as translation of the provided data or the lack of information about the political, societal and economic development in Japan. The authors first suggestion is, to integrate a translation service and periodical information about relevant nations in the process of the screening. Translation services are easily available in the internet. Japanese organisations, such as the Development Bank of Japan in Frankfurt/Main will be able to fill the information lack about the Japanese development.

Because of the lack of knowledge and experience with the Japanese culture, the author suggests trainings, which improve the intercultural communication skills of oekoms staff. On the background of the experience of its implications for their daily work, analysts will learn how to engage in a two-sided dialogue with other cultures. The focus on the Japanese culture is a starting point for the improvement of oekoms processes concerning other cultures. The CRR is to be improved, especially in the socio-cultural rating, which has recently been introduced. oekom should respect its own cultural roots and the validity of its criteria, but integrate them into the international debate. As a result of this process, the CRR is perceived consciously as part of a wider context, but contributing a differentiated piece of the puzzle. The CRR will be dynamically build around its consciously held core values, and added by the contribution and requirements of other cultural contexts. The author suggests to integrate the ambiguity of the findings into the final rating and to share the experience of a plural evaluation. This opens space for a common work with Japanese research organisations. oekom should develop its processes according to the community network model (NEWELL, 1999) of knowledge management. This approach emphasises sense-making through active networking in the context of encouraging innovation processes, which embraces oekoms foundation vision.

oekoms organisational design is characterised by a focus on industry branches. Cultural expertise is not integrated in its structure. Consequently, analysts do not know how to decide in singular cases. This is the starting point of this work. The author suggests to install a second matrix in the organisation, that integrates the focus on cultural requirements in the existing division into branches. Alternatively, this service might be

outsourced, but its contribution should be continuous and structurally implemented into oekoms processes.

5.2. Challenge 2: oekoms profitability and market share

As shown in Chapter 1, oekoms economic situation is still weak, but builds upon sound market expectations. On the short run, oekom must reach profitability, which is planned for 2002 (HASSLER, 2001).

The author distinguishes between the following options:

- To concentrate on the German market and its requirements

- To improve the efficiency of its actual processes

- To differentiate the CRR, developing a Japanese rating

These options are not mutually exclusive, but rely on different focuses.

Adopting the **first option** requires the implementation of a sound marketing strategy, especially in selecting the target market. This decision should reflect on the quest for profitability. As the FHG are a public good, ratings similar to oekom's CRR will be developed. In the context of emerging competitors and substitutes, oekom should define its competitive advantage. Even if the market is evaluated as big enough and oekoms experience over years will not easily be reached by others, the economic power of financial institutions might cause problems. A sound strategy is therefore required to counter future shifts on the market.

Because of the small size of oekom research, functional departments, e.g. for marketing have not yet been installed. Now, that the basis for further growth and development is given through the complete rating, the author recommends to develop a long term strategy which defines a vision for the company's situation after the introduction phase. To reach this, a structural approach to the different tasks of the management is required, that defines the marketing mix for the German customers.

The **second option** is part of the daily task for oekom research. Due to the introduction phase, the efforts concerning the CRR did not yet reach break even. oekoms products now must be sold, in order to acquire the economic basis for further growth. This is the main contradiction in oekoms actual situation. As recommended above, oekom should engage in the expensive further development of the CRR. The author recommends to reflect on the life cycle of oekoms products and the role of its stocks.

In the context of the Galtung model, the tightening of oekoms processes will reflect again the eco-efficiency of eco-modernism. Then, the CRR fits to the leading corporate Environmental Management, that emphasizes standardisation, legitimation and direct applicability. This is assessed as means to safeguard the business as usual (WELFORD, 1997) and challenges oekom researchs foundation vision.

The third option fits best to oekom researchs first problem. Investing in a Japanese rating as starting point of a plural approach now should be attached to the quest for profitability. The author recommends to develop a common strategy with the Japanese partners and to acquire market share in Japan. If this is not feasible, oekom should go back to its own national market and manage its growth step by step, building on its

capabilities. oekom should assess the opportunities and threats of entering the Japanese market, and base its strategy on its capabilities, which actually are exceeded.

The author recommends oekoms management to redefine its strategic intent, to build upon its experience worldwide as main competitive advantage and to align its capabilities, structure and its product portfolio to its vision.

5.3.   Conclusion

oekom research is in the midst of a global dynamic process of change, in which the company must find its own sustainable path. The splits between the components of the triple bottom line forces oekom research to manage its economic prospects, while promoting ecological and socio-cultural sustainability at other companies.

This is a general challenge in the context of sustainability, and oekom might provide an excellent contribution by managing its own path of sustainability.

Appendix 1

Project Proposal

Name: Simeon Ries

Project Title: Intercultural adaptability of oekoms Corporate

                              Responsibility rating according to criteria of social and

                              cultural sustainability

Supervisor: Professor Richard Welford

Company: oekom research AG, München

Submission: September 2001

1. <u>Extended title</u>

Development of a framework to respond to the actual Japanese demand for oekoms corporate responsibility rating.

2. <u>Methodology</u>

The first block (Chapter 1-3) will analyse the problems oekom is confronted with in assessing a company's cultural sustainability.

Chapter 1 shows oekoms organisational background and both its targets and operational approach, linked to the actual debate about corporate responsibility. The report will attach the problems described to the actual debate about corporate responsibility, leading to a broad picture of both the findings and open questions, the yardsticks and the traffic signs.

Since over 12 years, oekom research AG gains experience and is appreciated as one of the best practice companies in this context. This report will analyse the development , aspirations and visions of oekom and its Corporate responsibility rating, leading to the actual debate about intercultural comparability of its criteria. Interviews with oekoms rating people will show successful experiences as well as limitations of the rating framework especially when assessing Japanese companies.

Chapter 2 examines two elaborated ratings, in order to show the specific difficulties in assessing a company actuating in a different cultural environment: Sainsbury as class leader, and Jusco as the only culturally rated Japanese company. The outcome of both ratings will be assessed on the background of oekoms mission.

Chapter 3 provides the Japanese answer to oekoms practice. In order to paint a more complete picture, the contribution of oekoms Japanese partners, such as "The Japan research Institute" will be provided, helping to detect the reasons for Japanese companies to reject the rating of social and cultural sustainability.

The second block of this work will introduce the frame for oekoms future steps. Chapter 4 covers theories of cultural premises for business and the conditions for an intercultural dialogue. Hofstedes framework will be linked to Galtungs tension of principles, leading to an extended analysis of the findings of Chapter 2. Theories on stakeholder dialogue will be introduced to prepare the final conclusions of this report.

Chapter 5, finally will evaluate the premises for intercultural rating of social and cultural sustainability, leading to suggestions for oekom's management to proceed in the dialogue and further development of its rating criteria and its rating practice. As the author follows a process oriented methodology, debatable open questions will be provided, in order to show a possible scenario in which oekom will actuate in the future.

3. <u>Data sources</u>

Primary information:

Information provided by the staff of oekom

Information provided by Japanese partners

Information provided by Japanese companies that rejected the rating (if accessible)

Information provided by the academic supervising group

Secondary information:

Publications on corporate responsibility

Publications on stakeholder dialogue

Publications on intercultural management

Press articles on ethical investment and rating

Internet publications

4. <u>Aspects of MBA syllabus used</u>

This report will include aspects of the courses of Environmental Management, Environmental and Social Accountability, Society and Management, Organisational Theory and Behaviour, Management of Change.

5.   Proposed Chapter headings and Sub-Headings

Executive summary

Block 1: oekoms situation and problem

Chapter 1: oekoms background, experience and problem description

1.1.   Presentation f oekom research AG

History, organisational design and culture

Targets, visions and investor relations

Product portfolio

1.2.   presentation of the corporate responsibility rating, CRR

criteriology: development, experience and limitations

theoretical background: corporate responsibility

1.3.   conclusion: oekoms actual position

Chapter 2: oekoms cultural ratings in depth

2.1   synopsis of oekoms ratings of Sainsbury and Jusco

2.2.   critical review of the ratings

findings

limitations

2.3.   conclusion: quantifiable assessment and process orientation

Chapter 3: the Japanese answer

3.1.   oekoms experience: the lack of Japanese response to the rating

3.2.   analysis of some German explanations

3.3.   analysis of some Japanese explanations

3.4.   conclusion: compatibilities and incompatibilities

Block 2: future scenario for assessing cultural corporate sustainability

Chapter 4: Intercultural management, sustainability, stakeholder dialogue

4.1.   Comparison of the Japanese ad the German culture with Hofstedes framework

4.2.   Recent shifts in the Galtung framework

4.3.   Consequences for the findings of Chapter 2

4.4.   the quest stakeholder dialogue and sustainability

4.5.   conclusion: assessing cultural sustainability in a global process

Chapter 5: suggestions for oekoms management

5.1.   intercultural skills and orientation of the staff

5.2.   the focus of rated companies

5.3.   oekoms organisational design

      growth

      knowledge management

      departments according Industrial branches or cultural regions?

5.4.   dialogue with Japanese partners

5.5.   a global network of rating companies: mono or multicentered global ethics

5.6.   open questions

Conclusion

Appendices

6.   Work programme May –September 2001

May: agreement on the project proposal

gathering information, making and confirming contacts

Bibliography for the academic background

June: interviews with oekoms staff and dialogue with Japanese partners via
internet

Interview with academic background group of the CRR

Analysis of the information and development of a framework

Starting with the elaboration of the academic part of the report

Feedback with supervisor

July: as June, finishing the first chapters

Second set of interviews to confirm the findings

August   finishing the missing parts

Break of one week to gain distance for the overview

September   final edition

Submission as to 15-09-2001

Appendix B: oekoms communication with Japanese companies - 1

Letter inviting to fill the questionnaire:

"Dear XXXXX,

oekom research is one of the worlds leading rating agencies the field of environmental and social company analysis. Our research forms the basis of SEB/BfG-invest's entire ethical and environmental investment funds and is used by numerous other funds, such as UBS Brinson of Switzerland and friends Ivory Sime of the U.K.

At present we are working on a Corporate responsibility Rating for the XXXX industry. We would therefore be grateful if you could send as much information as possible on your company's approach to environmental and social/cultural issues, including the annual report.

On the basis of this information and other publicly available documentation, we will prepare a preliminary version of the rating. We will then send you this draft version of the rating together with a questionnaire and you will have the possibility to suggest amendments or corrections.

The Corporate responsibility rating is carries out without any charge to you. Should you have any questions or if you would like any more information about the work of oekom research AG, please visit our website at www.oekom.de or give us a call.

We would like to thank you very much in anticipation for your help. We will of course be very happy to answer any queries you may have.

Yours sincerely,

XXXX
Analyst"

Appendix C: oekom researchs communication with Japanese companies- 2

Letter to companies refusing to participate on the rating:

"Dear XXXX,

thank you for your fax/mail/letter you sent on XXXX. Unfortunately you do not want to participate in the rating this year. On grounds of fairness towards those companies that fill in our questionnaire, we have to mention "COMPANY" in our report and on our website as one of the companies that did not participate although having been asked. This also means that your company does not have the chance to gain access to our customers "green" or "ethical" investment funds.

There is still some time left to provide the information we asked for. So if you change your mind, we would still very much appreciate your participation in the rating.

Since we do an update of our ratings every year, we also encourage you to participate at another time.

Sincerely,

XXXX,
Analyst"

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