

# FROM ENVIRONMENTAL ACCOUNTABILITY TO CORPORATE SOCIAL RESPONSIBILITY? REFLECTIONS ON THE CSR BOOM IN JAPAN FROM THE PERSPECTIVE OF BUSINESS MANAGEMENT AND CIVIL SOCIETY GROUPS

*Susanne Brucksch and Carolina Gründschloß*

*Abstract:* The paper discusses how corporate social responsibility in Japan has grown from environmental concerns to encompass broader social responsibilities. Special consideration is given to how CSR has emerged, been accepted and implemented in large corporations in today's Japan. Based on the example of environmental stakeholder groups, the paper discusses the expectations that society has regarding corporations and elaborates the role of interplay between environmental civil society groups and corporations within the corporate responsibility debate. The current trend towards corporate social responsibility (CSR) is assessed after reconstructing the development of environmental accountability of corporations and public awareness of it. In particular, the characteristics of CSR as a business and risk management tool concerning the relationship to external stakeholders are highlighted. The article is closed with an analysis of the increased attention towards the concept of CSR in context of the development of eco-collaborations as an example of changing business and stakeholder interaction patterns. It becomes clear that the situation generates chances for environmental groups to realize their own projects with the support of the companies and increase their chances of bringing forth their interests as stakeholders of the companies. The new CSR boom opens up new ways for the companies to manage emerging risks as well as to improve their reputation.

## 1 INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has been widely discussed in recent years in Japan as an innovative business dimension. However, despite this ongoing discussion, it remains a term that is understood differently by various actors and experts. For the purpose of this paper, the following definition is proposed in accordance with Tanimoto (2004: 5):

CSR is the consideration of social fairness and environmental care etc. within the corporate processes as well as accountability towards its stakeholders (shareholders, employees, customers, the environment and local communities, etc.). Consequently, the focus is laid on the improvement of the economic, social and environmental performance.

This paper will explain how CSR has emerged, how it has been accepted and implemented in large corporations and society in Japan today, and will elaborate upon the role of the interplay between companies and environmental civil society groups within the corporate responsibility debate. The paper will also discuss what expectations of society are brought forward towards corporations, using the example of environmental stakeholder groups. Special consideration will be given to the development of corporate environmental and social responsibility in Japan. Subsequently, the drivers for corporations increasingly taking into account such aspects of CSR into their management shall be outlined. Highlighted, in particular, will be the characteristics of CSR in Japan as a business and risk management tool concerning the relationship to external stakeholders. The paper closes with an analysis of the increased attention being paid to CSR in the context of development of eco-collaborations as an example of changing business and stakeholder interaction patterns.

## 2 DEVELOPMENTS OF THE ENVIRONMENTAL MOVEMENT AND OF COMPANY ACCOUNTABILITY IN JAPAN

The term ‘corporate social responsibility’ already implies interconnectedness between economy and society. Thus, when analyzing CSR and its characteristics in Japan, the expectations of the society towards corporations have to be examined first. Yamada (2006: 341) points out that the Japanese understanding of CSR is linked with the country’s history of industrial pollution and, resulting thereof, the emergence of the Japanese environmental movement and the formation of environmental civil society organizations (CSOs).<sup>1</sup>

Environmental NGOs interact with companies not only via the national political system, but also directly as social citizens. In this sense, they are direct stakeholders of corporations. According to Figge and Schaltegger (2000: 11), stakeholders are individuals or groups that “have a material or immaterial ‘stake’ in the business. As ‘stakeholders’ they have a share in, or influence on, the success or failure of a company.” Examples of such groups or individuals include – but are not limited to – suppliers, customers, employees, NGOs, local communities and governmental bodies.

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<sup>1</sup> The terms ‘environmental CSO’ (civil society organization), ‘environmental NGO’ (non-governmental organization), ‘environmental NPO’ (non-profit organization) and/or ‘environmental group’ will be used synonymously in this paper.

Corporations use the natural environment to obtain resources for their production processes as well as to release waste, sewage and emissions into the environment. This is why environmental interest groups, which advocate treating the environment as a common good, have a viable stake in corporations affecting the environment. As stakeholders, they will “make resources available to the company as long as there is a profitable relationship between what they put into the company and what they get out” (Figge and Schaltegger 2000: 11). If this relationship between using the environment for industrial production and generating prosperity on the one hand, and polluting the environment and causing health problems on the other is out of equilibrium, protest against the corporations and sanctioning by stakeholders can be the result.

Social movements usually emerge when unprecedented issues start posing a threat to common goods. Accordingly, environmental NGOs are generally established to help solve those problems that are not taken into account by other actors, such as political parties or governmental institutions in charge of preserving common goods. The emergence of the environmental movement and civil society organizations in Japan too follows this pattern (Vosse 1998: 237). High economic growth – one of the main political goals in postwar Japan – resulted in massive environmental pollution during the 1960s and 1970s, the so-called *kōgai* incidents (Kerkmann 1998b: 9–11; Yamada 2004: 298–300). Sites of industrial production were no longer only generating prosperity, but also external effects through the output of emissions and waste, which resulted in degradation of the environment. The cases of Yokkaichi asthma, and Minamata or Itai-Itai disease are infamous examples of those processes (Imura 2005a: 23–26; Vosse 1998: 236; Yamada 2006: 236). In short, the relationship between economic and social interests was out of balance during this time.

Interest groups of pollution victims therefore started a considerable grass roots movement (Schreurs 2002: 68) with the primary objective of making companies environmentally accountable for both the ecological damage they had caused, and the consequences this had for the Japanese economy. The main targets of claims were, on one side, heavy industry (Imura 2005b: 74). On the other side, politicians, local governments and the central state were pressured into securing people’s health and the natural environment more effectively, because they had abdicated their responsibility during this problem-solving process.

One characteristic of Japanese politics during the 1950s and early 1960s had been a penchant for favoring industrial development over supporting environmental conservation – a policy that manifested itself in low environmental protection standards. Hence, the environmental movement was now turning more confrontational in demanding higher levels of en-

vironmental conservation and a guarantee of physical inviolability from the governmental and corporate side (Kawashima 2000: 158; Yamanaka 2004: 221). For the victims' interest groups, the only way to enforce their claims was to sue the companies responsible (Imura 2005a: 27–29; Vosse 2000: 61). The example of the Minamata movement shows that successful court cases enabled the victims and their advocacy groups to demand compensation from the companies responsible (Osiander 1998: 220). It also shows that the compensation payments and the environmental clean-ups cost these corporations much more than the appropriate anti-pollution measures would have been in the first place. Nevertheless, proper preventive measures were often taken too late, due in part to the delays caused by restrictive administrative recognition of pollution victims (Maruyama 1996: 218, 226; Osiander 1998: 221).

Through the experience of losing court actions, corporations realized that proactive measures would be more cost effective than high compensation payments (Yamada 2006: 348–350). Furthermore, “the mass media played an important role in conveying this information to citizens, because the court actions had great and sensational impacts” (Yamada 2006: 348). Due to the growing sense of urgency and increasing public protest, the central government was forced to change environmental regulations and requirements for industrial sites. Thus, during the late 1960s and the early 1970s, 14 anti-pollution laws concerning air and water conservation were revised or newly adopted by the central government, and many local regulations were passed (Kerkmann 1998a: 11–12; Yamada 2006: 348).

Put differently, during this time, the relationship between environmental groups and industry was characterized by resistance on the side of companies and their defensive behavior due to a lack of sensitivity over environmental issues. The conflict could only be resolved by pushing central government to increase its efforts towards more legal and executive action in order to protect people's individual rights as well as to conserve natural resources. The environmental movement in Japan has to be understood as the main driving force for sensitizing companies to the needs of social stakeholders beyond their employees and shareholders, and made companies realize the interconnectedness of their actions with society. As a result, the responsibility of companies began to shift from pure profit creation and concentration on core competencies towards the integration of social interests. The movement additionally initiated progress in environmental legislation, which too forced companies to increasingly internalize the costs of their ecological impact. Yet, even though there were some companies during the 1960s and 1970s that took a more proactive role towards their stakeholders'

needs, industry as a whole remained largely defensive (Kerkmann 1998a: 8). Yamada (2006: 349) calls this condition the “passive responsibility” of Japanese corporations.

The late 1970s and 1980s can be called a period of stagnation for the environmental movement and environmental politics in Japan (Funabashi 1992: 4; Kerkmann 1998b: 13–14), because Japanese corporations were integrating environmental accountability primarily due to the impact of court actions and changing environmental regulations. Reactive, technical environmental measures and strategies prevailed (e.g., in the context of appropriate technology, staff, offices, energy and material control methods), and most corporations demonstrated hardly more than an *end-of-pipe* responsibility (Yamada 2006: 349). However, it can also be said that during this time the relationship between the interests of industry and environmental stakeholders came back into equilibrium. One factor for this change was the implementation of environmental conservation standards, which were a first step towards solving the main environmental problems. A second factor was strict legal requirements, which fostered a predominant focus of corporate responsibility on ecological accountability and environmental communication aimed at the public (Fukukawa and Moon 2004: 51). Although this forced companies to take certain actions, it can also be seen as a further indication for the rather slow progress in the corporate responsibility debate at that time.

Finally, the calming of disputes between corporations and environmental groups created an atmosphere of greater cooperation. As a result, environmental groups lost public relevance, not least because they failed to institutionalize on a national level (Schreurs 2002: 69–71). To this day, they often lack organizational strength, know-how, staff and members, public recognition, as well as financial resources through donations from either members or other supporters. Additionally, the tendency to concentrate on local issues, the so-called NIMBY (Not In My BackYard) phenomenon, failed to provide new stimuli in the debate on corporate accountability. For many years it seemed as if companies were no longer the main target for environmental groups. Follow-up groups were focusing predominantly on topics like the living environment and quality of life with emphasis on urban areas (Yamamura 1998: 55–56; Broadbent 2005: 120; Foljanty-Jost 2005: 106–109; Imura 2005b: 80–82). Restrictive political structures (Kerkmann 1998b: 14–15) caused additional restraints for them to bring forth and execute their specific interests. To conclude, due to a lack of new input, the discussion on corporate responsibility was stagnating also in the context of environmental accountability.

However, interestingly, organizational change concerning environmental accountability towards corporate social responsibility has taken place

in Japan since the 1990s with enormous speed and impact. This trend has influenced the relationship between companies and their environmental stakeholders in Japan, which can be seen in a growing number of eco-collaborations today. At the beginning of the 1990s, the vast majority of corporations and environmental NPOs were still far from a proactive communication and collaboration style. Against this background it is necessary to mention the two main characteristics of today's situation.

First, since the 1990s, the development of Japanese environmental policy has not been primarily a result of environmental groups' activities, but rather the product of changes on the international stage. Both environmental groups and multinational companies have shifted their attention to global environmental problems and sustainability. At the same time, environmental conservation policies have shifted from *end-of-pipe* approaches towards more preventive measures. This trend towards sustainability and a stronger awareness of global environmental issues was accompanied not only by an increase of direct claims targeting companies for more environmental protection, but also a critique of mass production methods (Vosse 2000: 66–68). As a result, the equilibrium between economic and ecological interests in Japan was brought out of balance again.

Second, many organizations that were established during the 1990s participated in the UN Conference of Environment and Development (UNCED) in Rio de Janeiro in 1992, as well as in the Kyoto Conference on Climate Change in 1997. Although a number of Japanese environmental NGOs were able to participate in drafting the Basic Environmental Law (*Kankyō kihon-hō*) enacted in 1993, what remained largely unchanged was the lack of resources of those groups as well as the public and political indifference they faced on a national level (Vosse 2000: 66–68). The role of these NGOs in drafting the law was only a supportive or participative one and, unlike during the first environmental movement in the 1960s, their influence was insufficient to create a sense of urgency and pressure within industry. More recently, some improvements concerning the legal and institutional situation of civil society organizations have taken place. Noteworthy are the adoption of the NPO Law (*NPO-hō*) in 1998, the Information Disclosure Law (*Jōhō kōkai-hō*) in 1999, the revision of the tax law for nonprofit organizations in 1999, as well as the partial integration of environmental NGOs in administrative bodies such as the Central Environmental Council (Chūō Kankyō Shingikai) of the national Ministry of the Environment (MOE, Kankyō-shō). Despite these changes, however, it can hardly be concluded that the influence of environmental NGOs has increased substantially (Brucksch 2004: 103–107). The continuing small scale of environmental CSOs is one of the core reasons for the failure of NGOs to be the

driver for major changes in the social responsibility of Japanese corporations today. Therefore, an increase in eco-collaborations as a consequence of public protest seems quite unlikely.

This leads to the conclusion that the organizational change from environmental accountability towards corporate social responsibility seems to be strongly connected to a discussion on the international stage, a discussion that has a strong effect on the relationship between corporations and their environmental stakeholders in Japan.

### 3 THE CURRENT CSR BOOM IN JAPAN

The active implementation of CSR policies in Japan is a rather recent phenomenon, as is the perception of CSR as a business tool and an innovative approach for corporate and social relationships (Anjō 2004: 44). As pointed out earlier, Japanese companies have become sensitive to pollution and its risks, resulting in the implementation of environmental corporate management tools for daily business conduct. In this sense, environmental issues have become a new dimension for corporate management. Even the Nippon Keidanren has put the environment high on its agenda, proposing that one of the core goals of Japanese business and society for the next two decades should be to put efforts into promoting environmental awareness and ecologically sound corporate management, and to create a recycling society (Nippon Keidanren 2003: 5, 10).

In recent years, companies have started to realize that environmentally benign management can also improve their competitiveness (Tanabe 2005: 115) and a growing share of firms have begun to regard investing in environmentally friendly products and processes as a strategic move rather than as a cost (Nakao *et al.* 2006: 107). Today, by international standards, the number of companies that have implemented the environmental management standard ISO 14001 – a standard that was introduced internationally in the late 1990s – is remarkably high in Japan (Hanada 2004: 24). While it can be argued that the adoption of the ISO standard is only a cosmetic strategy to satisfy customers – cosmetic, because it does not require absolute environmental performance (Witt 2008: 3) – the rapidly growing numbers, nevertheless, underline a paradigm shift towards the increased importance of environmental issues. This is also supported by the fact that many large Japanese companies have reported on their environmental performance for years, publishing information concerning their environmental policies mainly out of accountability considerations, but to a lesser extent also as part of their risk management (Goo Research 2002, Internet).

However, a new trend apparent since the turn of the century is the greater focus on environmental management from the perspective of CSR. The astonishing speed with which CSR has become a mainstream business notion in Japan can be readily observed in the Ministry of the Environment's annual survey on environmentally friendly corporate activities in Japan. While in the 2001 survey (MOE 2002) CSR is not even mentioned in any part of the questions, the 2004 survey (MOE 2005: 77) reports that 49.7 percent of the surveyed companies have already implemented CSR as one aspect in connection to their environmental policies. This number has risen to 62.2 percent in the 2005 survey (MOE 2006: 82), with a mere 8.6 percent of companies that are not considering implementing CSR in the future. Interestingly, among publicly quoted companies this number is even lower at just under 4 percent. These figures are an indication that, even among shareholders and on the stock exchange, CSR has been gaining a high level of acceptance.

#### 4 DRIVERS FOR CSR IN JAPAN

The drivers for the rapid introduction of CSR in Japan are manifold. On an international level, one of the triggers for this development was the increased screening of Japanese companies by eco-fund managers from U.S. and European financial institutions (Kawamura 2003: 2) who paid more attention to social aspects than Japanese management usually does. Tanimoto and Suzuki (2005: 7) found that a Japanese company, depending on whether it has contact with foreign stakeholders, may be more likely to adopt CSR guidelines – a finding that underlines the potential influence of international actors. Another trigger was the fact that a very prosperous company like Enron in the U.S. would literally disappear as a consequence of ethical misconduct shocked the Japanese business world and created a favorable perception for the CSR concept (Sutō and Sugiura 2005: 3). Last but not least, the growing expansion of the Internet and the resulting availability of information, which has made society internationally more sensitive to aspects such as legitimacy and unfair practices (Tanabe 2005: 114), have also impacted on Japan.

On a domestic level, Japan has experienced a large number of corporate scandals within the last fifty years. Until the time of the first oil shock, most of them related to industrial pollution and/or environmental destruction and thus were the side effects of originally well-intended business activities. However, one striking difference between such corporate scandals and those happening after the oil shock – ranging from bribery, unfair financing and illegal payoffs to mass food poisoning, concealed

damage to nuclear reactors and false records of annual reports – is the fact that they clearly stemmed from unethical intentions and can be denounced on moral grounds (Hirata 2004: 76). The issue of corporate responsibility had appeared regularly in the 1980s in Japan and gained momentum during the 1990s, when cases like the failures of financial institutions, such as the Yamaichi Securities and Hokkaido Takushoku Bank, stirred up the business world (Kawamura 2003: 1). Consequently, distrust in corporate activities in Japan has grown over the last few decades, creating a base for a new consciousness towards corporate social responsibility. Besides, the economic downturn during the 1990s damaged the positive image of the traditional Japanese business system, which no longer created growth, and resulted in a general questioning of the pros and cons of the Japanese model (Tanimoto and Suzuki 2005: 14).

Kim (2004: 5) identifies as further domestic motivations for the introduction of CSR policies the growing interest in Socially Responsible Investment (SRI) and governmental reforms that forced the private sector to take on more responsibilities. In August 1999, the first national ecological fund was established in Japan (Hanada 2004: 26). While the volume of SRI in Japan is not yet large, it is undeniable that non-financial factors are increasingly being considered (Kawamura 2003: 3). Overall, in Japan, developments within the industrial world, such as the introduction of the ISO standard, were larger drivers for the implementation of CSR policies than the comparatively low pressures from society (Anjō 2004: 38), whereas in Europe and the U.S. pressure from consumers and the financial markets played a more important role (Ikuta and Minetaki 2006: 79). The result of all these influences was a veritable CSR boom, which some even refer to as a “CSR bubble” (Elkington 2005: 115), in particular in the context of well-known larger enterprises (Yamada 2006: 341).

## 5 THE CHARACTERISTICS OF JAPANESE STYLE CSR

CSR being a term that originated in the Western world (Tanabe 2005: 114), it is clear that the Japanese interpretation of what CSR embraces varies due to historic, cultural and political reasons in comparison to approaches to the concept in Europe and North America (Welford 2005). First of all, as indicated earlier, interest in CSR itself is very high in Japan. In fact, according to KPMG’s 2005 study of reporting on CSR issues, internationally Japan ranked highest, with 80 percent of its top 100 companies publishing CSR reports, followed by the UK with 71 percent, Canada with 41 percent, and France with 40 percent (KMPG 2005: 10). Besides, in Japan, the association of CSR with compliance on the one hand and philanthropic activ-

ities on the other hand is very strong (Anjō 2004: 33), a fact that is also reflected by the in-depth consideration that those issues are given in most CSR reports. Although the majority of companies in Japan focus on compliance and risk management aspects when it comes to CSR, many miss exploring the innovative business chances that this concept can offer (Ikuta and Minetaki 2006: 95). However, recent developments increasingly emphasize the business case of CSR; in other words, the win-win situation which can be generated for both the company undertaking social or environmental measures and the stakeholders.

Japanese companies are generally less likely to discuss issues that were of no importance in the traditional corporate system (Tanimoto and Suzuki 2005: 15). Consequently, CSR in Japan has focused more on environmental aspects than on employment and human rights issues (Hanada 2004: 22). The notion that corporate social engagement in developing countries, as for example the provision of AIDS medication or the building of schools for employees' children, should be an instrumental part of CSR activities is not widely accepted in Japan yet (Anjō 2004: 37). Furthermore, the integration of CSR into international supply chains has hardly begun (Ikuta 2007: 70). Many companies are lagging behind in areas such as the effective promotion of female and foreign employees and the establishment of family-friendly working structures (Anjō 2004: 38). When compared to their Western counterparts, very few companies report on gender issues and they are less likely to collect the opinions of their employees. On the other hand, they are more likely than Western companies to report on public opinion towards their CSR approach (Tanimoto and Suzuki 2005: 13).

It is still uncommon for Japanese corporations to cooperate with NGOs to work towards mutual objectives. According to a study undertaken by Tanimoto (2004: 71), 64.8 percent of the polled firms had not yet considered collaboration with NGOs in the context of their CSR program's realization. The Economic and Social Research Institute (2003, Internet) found that the economic activities of NGOs accounted only for 1.9 percent of Japan's Gross Domestic Product in 2001, thus those organizations even collectively amounting to only minor players in the national economic system.

Nevertheless, there are indications that the trend of CSR in Japan is shifting towards social aspects. In Japan, as well as in most parts of the Western world, there has been a trend among companies to change the name of their "Environmental Report" to "Sustainability Report" or "CSR Report," thereby suggesting a wider focus which, under the name of "Triple Bottom Line," includes economic and social dimensions besides the environmental one (Hanada 2004: 25). This trend is also confirmed by sur-

vey results from MOE (2006: 105), which found that the number of companies naming their environmental report “CSR Report” almost tripled between 2004 and 2005.

It is noteworthy that there seems to have been a noticeable – albeit small – change in perception of the role of corporations in society. In 2005 there was an 8.0 percent year-on-year increase in the number of corporations reporting that their CSR activities were driven by their sense of “responsibility for society,” whereas the numbers for other drivers, such as communication, PR and educational measures, remained almost unchanged (MOE 2006: 95).

Informative results can also be gained from the analysis of a 2006 CSR ranking by the *Weekly Tōyō Keizai* magazine. The three companies, Matsushita Electric Industrial, Sony and Ricoh, were ranked as the best performers concerning their CSR policies (see table 1 below).

No	Company	Personnel	Environment	Corporate Governance	Social Contribution	Sum
1	Matsushita Electric Industrial	32	39	18.5	15.0	104.5
2	Sony	32	40	16.5	15.0	103.5
3	Ricoh	34	37	16.5	15.0	102.5
4	Tokyo Gas	31	38	18.0	15.0	102.0
5	Seiko Epson	31	38	16.5	15.0	100.5
6	Matsushita Electric Works	33	36	18.0	13.5	100.5
7	Sharp	30	38	17.0	15.0	100.0
8	Teijin	30	36	18.5	15.0	99.5
9	Sanyo	34	35	15.5	14.0	98.5
10	Toray	30	39	13.5	15.0	97.5
	<b>Highest points obtainable</b>	<b>45</b>	<b>40</b>	<b>20.0</b>	<b>15.0</b>	<b>120.0</b>

*Tab. 1: Japan’s 10 Top CSR Companies*

Source: Yamada (2006: 104).

This ranking is noteworthy insofar as it gives an indication of how some Japanese experts rate the performance of Japanese corporations and in what areas they still see room for improvement. The areas which were rated most satisfactory among the 10 top-performing companies were ‘social contribution’ at 98.3 percent and ‘environmental policy’ at 94.0 percent (see table 2 below). However, two areas in which certain deficiencies could be observed were ‘personal management’ and ‘corporate gover-

nance' (with satisfactory rates of 70.4% and 84.3%). While the high satisfaction with environmental policies would have been predictable also for the Western observer, the remarkably high rating of social contribution is somewhat surprising. As pointed out earlier, the CSR policy focus of most Japanese companies is in the environmental area, with social contribution policies playing usually only a minor role. Personnel policies (including factors such as the percentage of women in management positions, average overtime hours, flextime work systems and the support of employees' volunteer activities) scored lowest. This result can be seen as an indication that the surveyed corporations still have room for improvement concerning aspects of diversity and innovative working arrangements.

	Personnel	Environment	Corporate Governance	Social Contribution
Ratio of attained points / possible points	317/450 = 70.44%	376/400 = 94.00%	168.5/200 = 84.25%	147.5/150 = 98.33%

Tab. 2: Satisfaction Rate with Japanese CSR Top-Performing Companies

Source: Own chart based on calculations using numbers from Tab. 1.

It can thus be concluded that companies in Japan are currently experiencing a CSR boom – a boom that has been driven by a number of mainly industrial and economic developments. While the social focus is still smaller than the environmental one, more and more companies have started to become interested in social contribution and cooperation with stakeholders.

## 6 TACKLING OF ENVIRONMENTAL DEMANDS BY STAKEHOLDER DIALOGUE

In management literature, the classical Japanese corporate governance model is often referred to as the 'stakeholder governance model', because traditionally, Japanese firms would take into account the concerns of various interest groups (Plender 1998: 211) much more than corporations engaging in shareholder-model dominated economies, such as the U.S., with the major goal of share price maximization (Jackson and Moerke 2005: 351). In many ways, the stakeholder approach is well-fitted to the Japanese economy, where many business relationships are characterized by implicit contracts (Plender 1998: 215).

However, Japanese corporate understanding of how much attention should be paid to stakeholders differs in several respects from the Western

one. According to research undertaken by Lewin *et al.* (1995: 88), the most crucial (corporate citizenship)<sup>2</sup> issues for Japanese companies are, in order of their importance: first, employees; followed by shareholders and suppliers/customers; and finally community and environmental affairs. Yet, recently, some stakeholder groups have gained influence. For example, talented employees can now pick the company they find most attractive and consumers have gained many opportunities to express their dismay about flawed products through information technology (Sutō and Sugiyama 2005: 3). Furthermore, the perception of which stakeholders environmental reports are targeted at has changed in recent years: In the years between 2002 and 2004, the most important stakeholder groups for listed companies were reported as being environmental NGOs, the local community, and their own employees (MOE 2006: 106). Interestingly, a remarkable increase of the consideration given to the above-mentioned stakeholder groups could also be observed with non-listed enterprises, which indicates a shift of attitude in the whole economy.

As a result of these changes, a growing number of Japanese companies today seek cooperation with NGOs, in particular in the area of environmental projects. In doing so, companies are moving from seeing CSR only as a PR tool more towards using it strategically (Elkington 2005: 115) and thus changing the way they interact with groups that have not enjoyed priority in their corporate management until now.

## 7 RECENT TRENDS TOWARDS ECO-COLLABORATION BETWEEN JAPANESE INDUSTRY AND NGOs

The growing number of eco-collaboration cases between civil society organizations and large companies can be understood against the background of an organizational corporate change in Japan; precisely, a change from environmental accountability to the broader approach of corporate social responsibility. As outlined above, this understanding of CSR is strongly associated with environmental conservation, compliance and philanthropy. Today the main drivers for eco-collaborations in Japan are international organizations and foreign stakeholders, as well as the public distrust that grew out of several corporate scandals during the 1990s.

In June 2005, Nikkei Ecology (pp. 23–35) described four examples of transsectoral eco-collaborations. The first example was an automotive

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<sup>2</sup> In the above-mentioned study, companies were asked for the ranking of their corporate citizenship issues. It can be assumed, though, that the level of concern for their most crucial stakeholder groups is close to identical.

manufacturer that was cooperating with a national organization that specialized in environmental education to establish a “nature school” in Gifu Prefecture. The second one was a manufacturer of information and communication technology that had started a partnership with a regional NPO focusing on the revitalization of a polluted lake in Ibaraki Prefecture. As a third example, the article described the case of a semiconductor manufacturer that was cooperating with a regional civil society organization to improve the groundwater cycle and quality around an industrial site in Kyūshū. And, as the fourth example, the article presented a distribution company that was working together with an international nature conservation NGO to implement sustainable CO2 reduction standards. These examples show the wide variety of eco-collaborations that exist in Japan today.

Hiß (2007: 8–9) proposes a differentiation of CSR into three areas of responsibility: (1) The core area of activities involving earning profits and compliance with national and international laws; (2) a second layer of activities focusing on voluntary measures along the value chain; and (3) a third layer of responsibility embracing engagement of a voluntary nature, but without a major connection to the corporate value chain. Applied to environmental collaboration, this means that NGOs can, for example, cooperate with enterprises in projects concerning the manufacturing process (core area), the supply chain (second layer), or in connection with the NGOs’ nature conservation projects (third layer). While the core area of responsibility is mostly defined by the legal framework of a country, the second and third layers include engagement that can demonstrate a corporation’s responsible behavior exceeding regulations. From the perspective of environmental NGOs, of course, ecological protection activities along the corporate value chain, including the core and/or second layer, are of greatest interest.

To gain a deeper understanding of the nature of eco-collaborations in Japan today, important findings of an empirical survey among large-scale enterprises and environmental NGOs in collaboration partnerships in Japan in 2006 deserves closer attention.<sup>3</sup> The survey focused exclusively on corporations and NPOs having experience of transsectoral eco-collaboration. The survey shows that the most frequent types of eco-collaboration are activities such as “public environmental education programs,” “na-

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<sup>3</sup> The survey was undertaken by Susanne Brucksch from July to September 2006 in Japan among large-scale companies (N=209) and environmental civil society organizations (N=117). The choice of surveyed institutions was based on the CSR *kigyō sōkan* 2006 of *Shūkan Tōyō Keizai* and the *Kigyō shakai dēta bēsu* of the Global Environmental Information Center (GEIC) in Tokyo.

ture conservation or environmental protection projects," "educational programs for the company's employees," "cooperation with the employees concerning environmental activities outside of the company" and "participation in environmental programs under administration of an environmental NGO." Less frequent are collaborations such as "joint life-cycle assessment," "joint selection of eco-friendly sub-contractors," "joint adoption of eco-friendly manufacturing processes" and "joint implementation of an eco-friendly distribution network." Consequently, voluntary engagement within the third layer of responsibility is more common than eco-collaboration along the value chain of a company. These results confirm that Japanese corporations focus strongly on social contribution activities.

The strategic value of CSR is often associated with the improvement of the corporations' competitiveness and brand image, the generation of innovative business chances, the management of social and environmental risks, as well as the increase of corporate legitimacy and trust of society on the one hand and the positive impacts for the stakeholders on the other. One aspect worth mentioning is that the overwhelming majority of NGOs, with which companies maintain an ecological partnership, were founded after 1990 (Brucksch 2007: 252) and seem to have a more cooperative attitude towards companies than those NGOs and environmental civil society organizations that were founded before 1990. Almost all of the surveyed environmental NGOs reported that requests for partnership were coming from the side of companies (81.4%). Other incentives for NGOs to get involved in eco-collaboration include financial support (75.4%), as well as the need for recognition (57.9%) and public acceptance (62.3%). These findings imply that companies are the drivers for the rising number of eco-collaborations, whereas the environmental NPOs' high dependence on financial support indicates that they play a more or less reactive role. The positive effects of eco-collaborations for NGOs are the acquisition of new resources for their own projects and opportunities to gain public recognition.

The vast majority of companies, however, explain their interest in cooperating with NGOs by factors such as demonstrating social responsibility (100.0%), earning the trust of society (93.8%) and local communities (96.9%), as well as improving or maintaining their reputation (89.9%). Other possible motivations, such as requesting know-how from environmental groups (46.2%) were only minor drivers for companies to get involved with environmental groups. These findings underline the predominant focus on social contribution as the main motivating force for partnerships, rather than a general interest concerning environmental issues. Furthermore, the findings confirm that Japanese companies emphasize

communication and public relation performance and their sense of responsibility towards social stakeholders. Thus, the rise in eco-collaborations has to be understood more as the outcome of a growing corporate awareness for social contribution than as a result of increased corporate environmental consciousness. This leads to the conclusion that it was only when companies started to consider social contributions and their role as corporate citizens within society that they began to be interested in partnerships with environmental groups on today's comparatively large scale.

When comparing the type of cooperation with their underlying motives, it is noteworthy that the majority of cooperating companies are obviously only marginally interested in the ecological know-how and expertise of their cooperation partners. One reason for this could be that most NPOs are still not considered as being very professional. Overall, environmental organizations seem to be one potential collaboration partner among many other social stakeholders concerning corporate social contribution activities. Hence, the findings beg the question of whether this kind of engagement is suitable to fulfill the expectations of society and whether it creates perspectives for NGOs to bring forth their concerns sufficiently.

Altogether, the majority of collaboration cases have been driven by companies and not by a growing public pressure of environmental stakeholders. Corporate motives referring to social trust, social contribution among environmental conservation activities, legitimacy, corporate image and responsibility dominate. However, Japanese corporations are generally not interested in eco-cooperation as a strategic instrument of profit generation or of creating innovative business chances. The main strategic value for environmental groups consists of acquiring new material and immaterial resources for their conservation activities and gaining more public attention. Due to their restricted influence and therefore limited opportunities to realize environmental goals, the majority of NGOs show more a reactive than a strategic and proactive attitude.

## 8 THE JAPANESE CSR APPROACH AND THE RISKS AND OPPORTUNITIES RESULTING THEREOF FOR ENVIRONMENTAL NGOS AND CORPORATIONS

The current situation creates both opportunities and risks for NGOs and for companies. As companies become increasingly sensitive to the needs of social stakeholders, more opportunities arise for environmental NGOs to communicate their interests better to businesses. This could facilitate dialogue between both sides and result in a more proactive problem-solving attitude. Admittedly, the limits of this communication are mainly de-

fined by the companies, because they appear to be the driving forces behind the growing number of eco-collaborations.

Moreover, the increased interest of companies in eco-collaborations opens up chances to acquire different kinds of support for NGO activities. However, in most cases, growing support from companies also implies a growing dependence on those sources. While the arrangement of project leadership does not give indications for one-sided control by any of the partners (Brucksch 2007: 260–262), growing dependence could lead to lower social legitimization and public appreciation of NGOs.

Furthermore, current eco-collaborations mainly cover areas such as environmental conservation, communication and education. In this sense, they constitute an additional contribution to existing efforts towards better environmental protection and conservation, as well as a higher public awareness. At the same time, eco-cooperation provides incentives for companies to initiate additional measures concerning their environmental performance (e.g., evaluation of current measures or joint establishment of life cycle assessments). In contrast, activities in the core and second layer area of CSR (i.e., the more relevant one in terms of industrial pollution) are less popular for eco-collaborations. Apart from that, eco-collaboration programs could be a useful self-regulation tool as long as companies pursue them efficiently and with the necessary support of their partners.

Another opportunity for companies within the recent CSR boom could be an improvement of their competitive positioning. If a corporation is able to implement CSR programs earlier than its competitors, it might be able to gain a first mover advantage and thus create innovative resources and relationships, which other companies do not yet possess. A large part of this competitive advantage can undoubtedly be found in the area of reputation and public image. Apart from that, effective CSR programs allow companies to deal better with a number of environmental and social risks, risks that have been emerging in today's increasingly interconnected and global economy and markets. Social contributions through partnerships can also help them to deal with their external stakeholder relationships better, as well as to plan and manage them more strategically. Certainly, very few Japanese corporations are at the point of having a very strategic and planned approach to CSR yet – most of them have hardly even begun such innovative collaborations. However, at least as a perspective for future development, a more organized and structured approach to CSR management as part of risk management, sustainability programs, as well as PR and marketing activities should be expected.

## 9 SUMMARY AND FUTURE PERSPECTIVE

This paper has pointed out the expansion of environmental responsibility towards broader social responsibility in Japan. Having reconstructed the development of environmental accountability of companies and public awareness in Japan, the current trend towards CSR was discussed. A growing interest of companies to collaborate with environmental interest groups as well as an accelerating trend of CSR reporting could be detected. Internationally, Japanese companies are quite advanced in some areas – such as environmental protection, environmental standard adoption and compliance – yet they are still lagging behind in others, such as career support for their female employees.

This change in attitude came about mainly due to an increase in pressure from the outside to integrate social risks into their business management, besides the classical dimensions of economic and environmental risks. A number of international and domestic drivers have been pointed out, which have fostered the adoption of CSR measures within Japanese industry. Even though pressure from NGOs is not the main driving force for companies, those companies are nevertheless increasingly open to and interested in cooperation with such interest groups as a preventive risk management measure.

Companies themselves are the driving force in initiating collaboration with environmental groups. In such cooperation projects, companies stress most the acquisition of public confidence and legitimacy and not the improvement of their own environmental know-how and production processes. As a result, the great majority of eco-collaborations are happening outside of the companies' value chain, targeting external projects that do not affect the core competencies, procurement and production processes of the companies. This situation not only generates chances for environmental groups to realize their own projects with the support of companies, but also increases their chances of bringing forth their interests as stakeholders in the companies. However, the drivers for such collaborations are the companies, who thus also define the limits of the partnerships. Hence, for companies, the new CSR boom opens up new ways for managing emerging risks as well as improving their reputation. While proactive social collaborations with external stakeholders are a rather recent phenomenon in Japan, this trend is expected to stay and even gain momentum in the future.

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