

1.3. Presentation 3:

“Sustainable Management”

Saburo Kato

Director, Research Institute for Environment and Society, Japan

Contents

1. Basic awareness about global environment
2. Basic awareness about sustainable management
3. Elements of sustainable management
4. Sustainable management of small and medium-sized companies

“Sustainable Management”

Saburo Kato

Director, Research Institute for Environment and Society, Japan

I would like to express my opinion about sustainable management.

I have engaged in pollution and environment-related issues for about 40 years, but I'm not a specialist in business management, so I cannot do a commentary from the viewpoint of expert. But, for last 8 years, I have associated with many companies in various ways as a member of NGO. I want to talk about what I have felt based on such experience.

1. Basic awareness about global environment

First, I will speak of my current awareness about global environmental issues. I would like company, government, community and consumers to share a common basic understanding that I will outline below.

As you know, the amount of human activities has increased explosively. Population, and quantity of consumed energy and resource have also rapidly increased. I think that the critical limit of environmental carrying capacity has been eventually reached.

Although Mr. Amano said “environmental resources have deteriorated” earlier in this symposium, I think that situation becomes worse and close to limit rather than deterioration. Does a limit exist? Has the limit of environmental carrying capacity been actually reached? Is there still an adequate margin? Various discussions are likely to take place but the idea of limit is obviously supported by the fact that environment is going from bad to worse around the world. CO₂ concentration has been increasing every year and especially for the last 30 years, and global temperature has also continued to rise. Depletion of ozone has never stopped. Loss of biodiversity and global desertification are progressing. Also at local level, waste problem, endocrine disrupter problem by chemicals, and the like have occurred. It may be an exaggeration to say that we human society run short of environmental carrying capacity in every way at the end of 20th century, but environmental capacity has indeed almost depleted. Moreover, 126 million people live in

Japan, and more than 6 billion people have to live in the world. A lot of companies must continue to operate and pay salaries to the employees.

2. Basic awareness about sustainable management

Companies must continue to perform a certain level of business activities under very strict environmental regulations, so they are obliged to maintain a balance between management and environmental conservation. During the era when there was no environmental regulation, companies forged ahead to product development for mass production and mass consumption at high-speed as if running on immense wild land, but such era has ended at last. Companies require wisdom for surviving under the strict environmental regulations, and I think that the wisdom is management technique, that is, sustainable management.

This applies to not only company but also government, community, consumer and each individual. It is my basic stance or awareness about sustainable management.

Next, I would like to talk what we think about sustainable management. In the environmental NPO “The Japan Association of Environment and Society for the 21st Century (JAES21)” that I preside over, we made environmental reports with NEC corporation for last two years and will do so next year. We drew up plans, prepared table of contents and texts for at least two environmental reports with NEC as an environmental NPO.

This year, NEC, in common with many other companies tried to heighten awareness of sustainable management and clarify the concept of sustainable management to some extent. Due to our concern about sustainable management from the standpoint of environmental NPO in addition to the NEC’s demand, we repeatedly argue over the definition or main concept of sustainable management and formed a conclusion with much effort. Because of the corporate character of NEC, it focuses on information technology as follows.

“Management that gives thorough consideration to environment, minimizes environmental load, and maximizes resource efficiency in all business sectors

with an emphasis on IT, as well as evolves a company toward contribution to the formation of a sustainable recycling-oriented society and high corporate value through the provision of solutions to customers”

It seems that this brief statement is self-explanatory, but I regard “in all business sectors” as the most important phrase. As Mr. Yamamoto stated, in most companies, top management such as President or Vice-president used to concentrate attention on financial affairs, not environmental issues and delegate these issues to environmental division. In fact, I often heard businessmen say about ten years ago, “I was appointed as an environment division manager. That is to say, I went off the fast track to promotion”. President or Vice-president left subordinates up to environmental measures. However, nowadays financial, personnel, public relations and all other divisions, not to mention President, have to cope with environment measures across the company. As earlier said, if companies must survive under the situation in which environmental carrying capacity has already become full, environmental measures are naturally considered as one of the greatest matters in management to be addressed by all sectors. The era when environmental measures were left to only environmental division has already past.

Other key phrases in this definition are “contribution to the formation of a sustainable recycling-oriented society”, which may be referred as to “sustainable society”, “corporate value” as mentioned by Mr. Seo, and “management that evolves a company” that achieves in keeping of certain degree of stock price and high social appreciation.

3. Elements of sustainable management

Relatively recently, Sumitomo-Life Research Institute, Inc. (SLRI) where I worked as a visiting researcher conducted a research on what Japanese large companies think about sustainable management in commission of National Institute for Environmental Studies. In the planning and evaluation of this research, we received cooperation from Prof. Kokubu.

As the research results are published in a detailed report, please see them later. Examining the target 600 companies that address environmental issues

with great effort, we found that many companies thought environmental measures as a matter of high priority for surviving in 21st century. The companies acknowledge their responsibilities for environmental loads incurred by their main business activities, and further recognize the importance of maintaining so-called triple bottom line - three aspects of sustainability; environmental, social and economic. On the other hand, since environmental risks have a damaging effect on management, the companies regard environmental measures as a part of managerial crisis management. We received such answers from many of the target companies.

Specifically, they adopt the following measures: acquisition of ISO certification, issuance of environmental reports, environmentally-conscious product design in the case of manufactures, implementation of green purchase, consideration for logistics, environmentally-conscious plants and shops by use of solar system and the like, partnership with NGOs or NPOs and introduction of environmental accounting.

4. Sustainable management of small and medium-sized companies

To add another point, honestly speaking, sustainable management is practiced mainly at larger companies in Japan. As far as I know, however, some small and medium-sized companies raise awareness of environmental problems and try to take measures. Likewise as in NEC, I am working with an industrial waste disposal firm in Kansai region to help drawing-up of environmental reports. Even the company with less than 100 employees can issue highly valued, excellent environmental reports.

In order to promote the trend, award system as in IBM may be an effective method. But, I think it is the most available to use the taxation system among public policy, for example, the introduction of environmental tax. There is a need to establish official mechanism which stimulates corporate differentiation. Furthermore, eco-funds act as an important role, as pointed out by Mr. Seo. I hear that a few environmental rating agencies will be founded in the near future, and if such rating agencies or organizations, whether being NPO or academic society, become to assess the rights and wrongs objectively, sustainable management in Japan will rapidly progress.