

# TOP MANAGEMENT FORUM

Corporate Strategies for Driving  
Sustainability in the Asia-Pacific



ASIAN PRODUCTIVITY ORGANIZATION

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Sustainability in the Asia-Pacific

2012

ASIAN PRODUCTIVITY ORGANIZATION  
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## FOREWORD

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The Asian Productivity Organization (APO) region was no exception in facing many challenges in recent years. Organizations are increasingly compelled to address and overcome the unexpected challenges presented by Mother Nature or by economic or environmental circumstances. Sustainability can only be achieved with corporate foresight, courage, and agility, and requires the guidance of strong, visionary leaders.

In 2012, the Top Management Forum discussed the topic of corporate social responsibility (CSR), looking at various management strategies for promoting a culture of environmental awareness and sustainable productivity enhancement while clarifying the role of organizational leaders in this process. The APO, especially since the turn of the century, has consistently emphasized the importance of CSR, not only because of the fundamental ethical value of contributing to society but also because of its potential as a management strategy to create organizational value, help enterprises to remain globally competitive, and ensure the sustainability of business activities.

The APO has organized various training and capacity-building projects to assist member countries in identifying and implementing CSR strategies, including the 20th Top Management Forum on Corporate Social Responsibility in 2004, which responded to growing regional and global interest in how corporations could contribute to society. When the International Organization for Standardization (ISO) published the International Standard on Guidance for Social Responsibility (ISO 26000) in November 2010, the APO pursued the concept as a management tool for productivity enhancement by introducing new training courses to develop a pool of future ISO 26000 practitioners. Furthermore, more than 200 individuals from 12 APO member countries enrolled in the e-Learning Course on ISO 26000 in May 2011 through the World Bank's Global Development Learning Center network. After that course, 22 participants from 12 member countries attended the Seminar on ISO 26000: Development of Social Responsibility held in Taipei in August 2011, both of which underscored the significance of CSR to the APO membership.

After successfully introducing the concept of CSR and how it can mesh with the objective of enhancing productivity, the 2012 Top Management Forum attempted to examine in depth how CSR can become an integral part of an organization's core business or activity, as well as the role corporate leaders play in formulating a long-term management strategy that strengthens organizational sustainability and contributes to overall productivity increases in the Asia-Pacific.

Through various presentations made by the distinguished speakers and group discussions among the participants, the 2012 forum reaffirmed the significance of strong commitment by top managers and leaders to drive CSR strategies and integrate the principles into the overall vision and mission of organizations. In addition, it was stressed that governments also play a major role in supporting organizations with proper policies and legislation.

This publication is a summary of the presentations made by managers of prominent enterprises who shared their experience and best practices in incorporating CSR into core organizational

activities. It is hoped that more leaders and management teams across the Asia-Pacific and beyond will be inspired by the valuable inputs and viewpoints contained.

Finally, my sincere appreciation is offered to the Japanese government for its financial support for the Top Management Forum, to the Japan Productivity Center and Kansai Productivity Center for their assistance as co-organizers, and to the distinguished speakers and participants from the APO region whose contributions were invaluable.

Mari Amano  
Secretary-General

Tokyo  
February 2014

# I

## Summary of Presentations

## **Solving Society's Problems through Corporate Activity: Social Solution Company Pasona Group's Initiatives**

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***Junko Fukasawa***

*Senior Managing Director, Human Resources Division, Public Relations Department  
Advertising Department, Social Contribution Department  
Pasona Group Inc.*

The first page of the Pasona Group rules, which are given to every newly hired employee, states: "Pasona's work is harnessing the potential of the individual." Solving the problems of society through work is the corporate philosophy. This is done to support various stages in life through temporary staffing services, business reform consultancy, childcare, education, and care for the elderly. The Pasona Group refers to itself as a "life produce" business and considers its work to be a corporate social responsibility (CSR) activity in itself.

Founder Yasuyuki Nambu started Pasona Inc. as a student in 1976. Originally a temporary staffing service, the Pasona Group now has 70 offices throughout Japan, with 37 branches in 10 countries, and some 6,000 employees, equally divided between men and women. The objectives of the group are to: 1) create a society in which all are able to find fulfilling work; 2) work toward a society with egalitarian relationships between the workplace and individuals; and 3) offer opportunities for people to achieve their dreams regardless of age, gender, or differing abilities.

At the time of Pasona's founding, it was unusual for Japanese women to stay in the workforce or reenter it after marriage and having children. Pasona's founder started a temporary staffing service to give women who wanted to work a chance to develop their careers at their own pace, taking into account an appropriate work-life balance. Although in general temporary workers were paid only about half the wages of full-time employees at the time, Pasona refused to discriminate in this way and offered wages that were about twice the average from the beginning. Recognizing that new skills were indispensable, in 1983 Pasona began offering training in word processing, a new technology at the time. Numerous events such as the Word Processing Olympics and Women's Working Expo were organized and a monthly magazine was published to raise awareness of women's abilities and allow them to network.

With an excellent response to its services for women and employers, in 1987 Pasona founded Work Sharing Inc. to promote more diverse forms of work for all stages of life. In 1990, a business agreement was concluded with the US company Bright Horizon and Pasona Foster Inc. was established as an outsourcing firm to manage in-office childcare as part of the infrastructure to support women's labor force participation. There are now 13 childcare centers nationwide, of which six are centered in offices.

The care of elderly parents is just as crucial as childcare for working women in Japan. Therefore in 2000, Pasona began to offer a homecare system for the elderly. Those services are currently provided by 22 offices nationwide. In 2012, an Internet-enabled telecommuting scheme was developed to support women and people with disabilities who are tied to the home but wish to work. When Pasona was founded in 1976, the population of working women numbered 12 million; by 2012 it had almost doubled to 23 million.

After its success in offering services that focused on helping women to balance work and life, Pasona turned to other groups in society. In 1980, Elder Management Center Inc. was established as a specialist temporary staffing agency for men over the age of 50 years. Under the



slogan “job transfer, not job loss,” Human Resource Exchange System Inc. was set up to utilize redundant workers productively. This was followed in 2002 by the creation of the Personnel Bridge Bank Services under the Kansai Employment Creation Organization comprised of 30 leading companies, and the Kanto Employment Creation Organization made up of 35 leading companies the following year. In 2011, a nationwide version of this, the Japan Employment Creation Organization, was set up with equity investment by 53 firms.

In order to help create jobs for young people, a vocational training school was opened to give new college graduates specific job skills. Similar projects in music and sports divisions were then developed to assist young artists and athletes. As a support career support project for young people, Pasona developed the Fresh Career System, where Pasona hires new graduates for a maximum of two years to develop their careers. Finally, under the Talent Knows No Handicap initiative, Pasona Heartful was set up in 1989 to provide employment in six major areas to persons with disabilities, including general office work, art-oriented jobs, and agriculture.

Pasona has contributed significantly to the revitalization of agriculture through its services since 2001. With the aging of the farming population, there was a severe labor shortage. The Pasona Group decided to tackle the twin problems of unemployment of new graduates and agricultural labor shortfall by creating farm internships, a three-year farming entrepreneurship program, and a one-year art-and-agriculture program called “Koko kara Mura” (life starting from this village). Jobs were created for 1,500 people whose work resulted in sales of JPY1.2 billion.

The urban farm created at Pasona’s head offices in Tokyo is well known, where vegetables and plants are grown throughout the building. After relocation to this new facility in 2012, more than 100,000 have visited the urban farm, and the office has won awards for its design.

In times of disaster, such as the earthquake that struck the Kansai region and heavily damaged the city and port of Kobe in 1995, and more recently the one that devastated the Tohoku region in 2011, the Pasona Group as a whole and its employees as individuals become involved in relief efforts. While finding employment for the displaced is the major focus, sponsoring fund-raising events, transporting donations of supplies, and manning a free 24-hour mental health hotline are other contributions. More than JPY50 million was donated by Pasona employees to the Red Cross for earthquake relief in 2011.

With the formation of the Pasona Group holding company in 2007, the allocation of personnel, capital, and information was optimized to enable its transformation into a total social solutions company. The success of the entire group is determined not only by profit but also by how it serves society through its activities. Four factors have made the Pasona Group what it is today: 1) a clear management philosophy; 2) valuing action over knowledge alone; 3) respect for the company and other employees; and 4) the belief that job creation is the ultimate form of CSR activity. As stated in the company philosophy: “Our raison d’être is to build a future where individuals can create their own comfortable lifestyle and freely choose the kind of work they wish to do. In order to make such a society a reality, the Pasona Group will continue to work harder than ever.”

## **Shiseido's CSR Management: Refinement of Management Quality with Efforts to Win Trust from Our Stakeholders**

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*Kimie Iwata*

*Executive Vice President and Representative Director  
Shiseido Co., Ltd.*

Shiseido began as Japan's first Western-style pharmacy in 1872, in the early phase of modernization. Soon afterward it branched out into cosmetics and by 1915 had completely converted to a cosmetics business. In 2011, Shiseido had consolidated net sales of JPY670 million, of which 45% was generated outside Japan, with 44,000 employees. Its products are sold in 88 nations. Although corporate social responsibility (CSR) can be defined in many ways, for Shiseido it is at the core of corporate activities and defined as "how a company can be of help to society through business," or simply the realization of the corporate philosophy. This requires a company to be sufficiently sensitive to gain insight into social needs and connect those needs to its core business by building bonds of trust with all stakeholders.

The Shiseido Group's corporate philosophy was renewed in 2011. Many international standards, such as the UN Global Compact and ISO 26000 standard, are incorporated in the new philosophy to gain the trust of stakeholders. The CSR Committee is directly under the Shiseido board of directors, and the board is comprised of both internal and external members to ensure fairness, transparency, and objectivity.

Shiseido developed a unique process based on the plan-do-check-act (PDCA) cycle in its CSR activities. This process highlights the challenges and risks facing the company. The CSR Committee explores social needs and possible risks and then monitors whether the necessary measures are being implemented. Subsidiaries within and outside Japan report the results of their own assessments to the committee. As one example, in 2011 the PDCA cycle in the CSR process showed that Shiseido was weak in disclosing information on nonfinancial matters, including negative information. Subsequently, the CSR Committee proposed that from 2012 as much nonfinancial information as possible should be disclosed in line with the requirements of global reporting initiatives. That proposal was approved by the board of directors and has been followed since.

Like many businesses, the Shiseido Group divides CSR into the fundamental and unique categories. The former refers to regulatory and legal compliance, and the latter to CSR activities devised by the company itself to enhance corporate value. One example of a unique Shiseido CSR activity was a change in the job description of beauty consultants who work with customers in 2005. Because Shiseido not only offers products but also disseminates methods of using them, its consultants must gain the trust of customers to help them feel good about themselves while simultaneously growing the core business. After 2005, Shiseido's consultants have been evaluated not on their sales figures but on good reviews from customers in survey postcards. More than one million postcards are received each year, and the information they contain is used in both consultant evaluations and in staff training.

A second example of unique CSR activities within Shiseido focuses on the aging society, a serious issue in Japan. Two types of activity are directed toward the mental and physical well-being of elderly women. One is referred to as "social business" and the other as a "social contribution." The funding for social contributions comes from the profits generated by the

main business. This means that the contribution activities may be limited and their funding may fluctuate with upturns and downturns in the main business. On the other hand, when the social business is profitable, it can expand along with the potential for the development of new markets.

The elderly beauty service, for which a fee is charged, has three objectives as a social business: supporting women throughout their lives, including those who can no longer visit cosmetics counters; establishing a new business model applicable in Japan and other Asian countries with aging societies; and providing new opportunities for beauty consultants to use their skills. The one-hour program was designed to improve the physical and mental abilities of senior citizens based on scientific research results (grip strength, brainwave patterns, etc.). It began in retirement facilities and nursing homes in 2011 and now covers some 60 sites. An elderly beauty service session starts with physical exercises, continues with aromatherapy, and ends with skincare and cosmetics, all under the supervision of experienced beauty consultants who have undergone specialized training.

Since 1975, Shiseido has been holding “life quality beauty seminars” for senior citizens and people with disabilities as part of its social contribution activities. This was not planned by the head office, but started voluntarily by the Tohoku business office and gradually spread throughout the group, including its overseas affiliates. Approximately 3,000 seminars for about 50,000 senior citizens are conducted annually in Japan; international Shiseido sales groups hold at least one per year.

There are CSR issues that Shiseido knows it must tackle in the future. One is the unification of social contribution and business activities, which will involve creating synergy between the two. The social business model, along the lines of Unilever’s efforts in India, is an example Shiseido would like to follow. A second goal is the greater globalization of CSR as Shiseido’s consumers, business partners, and employees continue to diversify. Establishing relationships of trust with all of those actors will require identifying the social issues facing the world. This in turn will facilitate business activities in all of its markets and help the Shiseido Group contribute meaningfully to global society. The ultimate goal is creating a corporate culture in which each employee thinks “I want to improve this corporation and be of use to society.”

## Promoting a Company-Wide CSR Program: Gunze's CSR Strategy

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*Hiroyoshi Kanai*

*Managing Director and Chief Corporate Social Responsibility Officer  
Gunze Ltd.*

Corporate social responsibility (CSR) is a basic part of Gunze Ltd.'s DNA. The company was originally established for the purpose of contributing to the regional community, and that is how it has conducted its business since 1896. Founder Tsurukichi Hatano was born in what was then called the Ikaruga district of Kyoto. As Japan struggled to modernize after the Meiji Restoration, sericulture and silk spinning became a major industry. Exports of raw silk accounted for 70% of the foreign currency earned by the nation at the time. However, the silk produced in the Ikaruga district was of poor quality and sold for much lower prices compared with silk produced in other regions.

Hatano originally trained as an educator and taught elementary school in Ikaruga for four years. He was concerned that children in his classes often fell asleep at their desks and began visiting their homes to find out why they were so tired. That is when the reality of silkworm growers' lives hit him: they and their families were working day and night but barely making a living because of quality issues. Hatano quickly immersed himself in the study of silkworm farming and with the help of engineers and technicians established a higher institute for scientific silkworm raising, silk reeling, and fabric production based on the most advanced technology available. Local silkworm farmers became shareholders in the company Hatano set up in conjunction with the institute, and he employed their daughters to work in the spinning factory while educating them in an onsite boarding school.

This integration of a production site, research facilities, and educational facility was unique. Also unique at the time were Hatano's instructions to purchasing agents for his company to buy the improved raw silk for the highest price possible, instead of the lowest. The rationale was that Gunze would not think about profits initially but on the development of the regional silkworm industry in a spirit of mutual coexistence. As the local community became more prosperous, the company would also grow. Because the silkworm growers were also company shareholders, they were motivated to improve quality for further company growth.

The decision to name the company "Gunze Silk Manufacturing" reflects the objective of contributing to the local community. "Gun" means "district," and "ze" means "policy." Therefore, Gunze signifies the founder's commitment to CSR, which has been followed ever since. After only five years under the new production system, Gunze silk won the gold prize at a major national exposition, leading to a trading tie-up with a US company.

Today, Gunze Ltd. operates in three major areas: the apparel business, mainly innerwear, undergarments, etc., accounts for 55%; functional solutions, consisting of packaging, plastic film for bottled drinks, liquid crystal film and other IT/office equipment components, and specialized plastics for medical applications, makes up 35%; and lifestyle creation, such as sports clubs and horticulture utilizing former factory sites, comprises the remaining 10%. The company employs approximately 2,000 people in Japan and another 9,000 in sales outlets and production sites in Asia, Europe, and the USA.

In 1975, the corporate philosophy was crystallized into three points: 1) contribute to society by providing quality products; 2) operating with integrity to build solid relationships with

customers and associates; and 3) working to achieve international leadership by capitalizing on energy and creativity. This corporate motto is read by all employees worldwide at regular assemblies. The Gunze activity guidelines based on this philosophy were developed in 1998 and cover acting in compliance with internationally accepted rules of business and meeting all challenges with “sensible decisions.”

The CSR basic policy was issued in 2007. Each division has a CSR promotion leader, in addition to the companywide CSR Committee. CSR training is provided to all new employees and to those newly promoted to managerial positions. An annual CSR survey is performed among about 85% of employees, and improvement plans are formulated based on the results. Each June, a CSR report is issued to disclose information on Gunze’s activities to both an internal and external audience. Employees wishing to become CSR experts can take a specially developed proficiency test; the test results also form an opportunity to exchange opinions on CSR promotion in the workplace. This open atmosphere in which communication is encouraged ensures compliance with company policy and prevents workplace harassment or other negative issues while fulfilling Gunze’s social responsibility to all stakeholders.

Gunze currently contributes to the greater society in a variety of ways. Through the Gunze Love Earth Club, started to commemorate the company’s 110th anniversary, current and even previous employees donate to a special fund, which is then distributed to social welfare and educational organizations. In FY2011, 20 organizations received support. This was in addition to special assistance to those affected by the 11 March earthquake in the Tohoku region, who quickly received warm innerwear, pajamas, and other garments from Gunze warehouses. The massive flooding in Thailand in 2012 was also an occasion during which the company offered assistance to people in evacuation centers in Chonburi province, since Gunze has manufacturing facilities in that country. Since 1997, Gunze has also sent school supplies to districts where it has plants.

The world is changing at an increasingly rapid pace. Gunze recognizes the need to make innovations that meet the needs of customers and respond to the changing times. However, it will not change its corporate DNA. Instead, the company prefers to remember its beginnings as a silk-producing enterprise. In producing fabric, the warp is the firmly knotted lower layer, forming the foundation over which the unknotted woof is woven to create a variety of patterns. Gunze’s warp is its founding philosophy, and its woof is its business strategy, products, and services that can be modified to form different patterns with the changing times. Mutual coexistence, community development, returning profits to its shareholders, and satisfying customers have been and will remain the keys to the sustainable development of Gunze. The company realizes that these may not be seen as spectacular goals, but plans to continue its steady efforts in all areas of operation to achieve them.

## **Striving to be the Purest Textile Company in the World: Maximal Safety and Minimal Environmental Impact**

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*Keishi Ikeuchi*  
*President*  
*Ikeuchi Towel Co., Ltd.*

In a market where 80% of towels are imported, starting in 1992 Ikeuchi Towel (IKT) evolved a business model based on “maximum safety and minimal environmental impact.” Following that creed allowed the company to stop producing towels for other brands, including high-end European designers, and concentrate on producing its own brand of organic cotton towels sold directly to retailers. IKT now holds a significant domestic market share and its products have met enthusiastic reception abroad. It is the only towel maker that has maintained ISO 14001 and 9001 environmental and quality standards for over a decade.

IKT’s path was not always smooth. The decision to market its own towel brand, which had previously made up only 1% of total production, was prompted by what could have been a financial disaster. A trading company that handled IKT’s sales was forced into bankruptcy in 2003, which in turn caused huge losses to IKT. Retail customers rallied in support, however, with many asking exactly how many towels they needed to order to help keep IKT afloat. The company’s main bank and creditors were so impressed by the level of support offered that they also stepped in to help restructure IKT.

Since that turning point in 2000, 90% of IKT’s production has been organic cotton towels. Their maximal safety is certified under the international Oeko-Tex class 1 standard, the highest possible, which covers raw materials, final products, and all chemicals used in the manufacturing process. Similarly, the cotton thread used is certified as organic under the strict European standard from the cotton fields to the spinning factory. The raw cotton comes from India and Tanzania, where it is grown under fair trade practices. In addition, for the past 11 years, 100% of the electricity used in IKT factories is generated by windmill under a long-term contract with Noshiro Power Company in Akita prefecture. In 1993, an interworks dyeing factory was set up so that the effluent treatment system could meet the highest environmental standards. Effluent from the dyeworks is treated so extensively that it is equivalent to freshwater at the final stage, as required for factories on the Japan Inland Sea.

The concept of minimal environmental impact extends beyond the cotton fields and factory. Quality is also an important element. Quality and care for the environment are seen as two sides of the same coin by IKT. Products may be organic, but if they do not have a long life span they will still overuse resources. IKT organic cotton towels are prized by consumers for their good design, high quality, and the fact that they can be used for years.

IKT President Keishi Ikeuchi believes that it is easier for smaller companies to ensure that their activities are environmentally friendly. Unlike larger enterprises that have separate corporate social responsibility units to identify ways in which they can give back to their communities, IKT’s production activities themselves reduce burdens on the environment. In the belief that small actions can collectively make a difference, each year all IKT employees announce three individual environmental objectives; for example, President Ikeuchi does not drink from PET bottles, eats only locally produced food, and does not use hotel toiletries when traveling.

President Ikeuchi urges other small businesspeople from Japan to look beyond the domestic market by attending trade fairs abroad. He cites the contractual nature of business in countries like the USA, UK, and others as eliminating potential uncertainty about being able to collect on orders received from such venues. This advice would also apply to other countries in the Asia-Pacific. After winning an award at the New York Home Textiles Show in 2002, IKT towels were carried by ABC Carpet, a leading US interior store. Other awards at trade shows in New York and London followed. IKT management realizes that the awards were powerful marketing tools.

The Japanese media have also been instrumental in publicizing IKT's philosophy of quality. In 2003, then Prime Minister Koizumi ended a policy speech by commenting that a very small towel maker's president had found a market in the USA, which received widespread coverage. In 2011, the company was mentioned on a late-night business-oriented TV program. Its website received 5 million hits that same night, and the next day long lines of consumers formed at retailers carrying IKT products, with two months' supply of inventory selling out completely at each shop.

The newest sales concept of IKT is Cotton Nouveau, which started in 2011. Cotton from a single year's Tanzanian harvest is made into towels of absolutely uniform quality. In the first year, 10,000 Cotton Nouveau towels were sold in Japan; President Ikeuchi planned to show them at a US trade fair in 2012 and to start selling them internationally with the 2013 cotton harvest.

IKT will continue to produce towels of the same timeless design while improving quality and increasing the number of consumers who use them. President Ikeuchi promises that the company's message will remain the same: achieving maximum safety and minimal environmental impact.

## Suntory Group's CSR: Suntory, Bringing Water to Life

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*Takeji Kitamasu*  
*General Manager, CSR Department*  
*Suntory Holdings Ltd.*

Since its founding in 1899, Suntory has pursued a three-pronged corporate philosophy: maintaining a “go-for-it” spirit; sharing profits with society; and coexisting with nature. Following that philosophy allowed the Suntory Group to grow into 199 companies with more than 25,000 employees worldwide. Ordinary profit of JPY110 billion was generated in 2011. Suntory's main business is food and beverages, accounting for 93% of sales, with restaurants, florist operations, and fitness clubs accounting for 7%. It has business operations in Oceania, PR China, the Republic of China, Singapore, Thailand, and Indonesia, where it ties up with strong local partners.

Suntory's corporate social responsibility (CSR) activities have a long history. In 1921, it started a welfare foundation that operated a free clinic. Today, social contributions take the form of nursing homes for the elderly, educational grants, the Suntory Museum of Art, the famed Suntory Hall for classical music, sponsorship of sports teams, the Suntory Music Foundation, Suntory Culture Foundation, safe-driving campaigns, and many others.

Because food and beverages are so heavily dependent on water, the Suntory Group's CSR vision has been “bringing water to life” since 2005, when a CSR Department was officially set up. This slogan has three meanings: 1) respectful use of water; 2) becoming an invigorating force like water to contribute to society; and 3) having employees who are as dynamic, flexible, and adaptable as water.

In terms of respectful use of water, Suntory's strict in-house purity standards exceed governmental standards. Cleaning and cooling rely on recycled water. Different processes in the factories have specific requirements for water purity, maximizing the reuse and recycling of groundwater, which is used instead of tap water. All water is purified and monitored for 24 hours before being discharged into the environment. Overall water use has been successfully reduced by 50% since 1990.

In addition, Suntory recharges its groundwater resources by creating “natural water sanctuaries,” i.e., 7,000 hectares of managed forests where biodiversity is maintained, flooding and landslides are prevented, and tree growth is carefully monitored. While forestry professionals play the main role in the natural water sanctuaries, all Suntory Group employees spend a few days every year in forest conservation activities. In addition, as part of educational CSR outreach, Suntory hosts school field trips in its bottled water plants and then takes students on tours of managed forests to explain the need for conservation. Approximately 12,000 students have participated in this program so far. Lecturers also visit schools to speak on conservation efforts.

Suntory recognizes that a healthy water supply depends on a clean atmosphere, which requires its operations to use fewer resources and result in less harmful emissions. In addition to limiting water consumption and recharging groundwater, CO<sub>2</sub> emissions have also been reduced by about 60% per unit of production through the use of liquid natural gas and solar energy. Suntory revamped its distribution logistics after determining that larger trucks emitted less CO<sub>2</sub>. Currently, 35% of products are shipped by rail or sea, which have lower emission rates than land transport. The group also pioneered integrated transport arrangements to avoid empty trucks or



containers on return journeys. This involves tie-ups with electric equipment companies or even with competing beverage companies.

As Japan's largest producer of bottled water and leading maker of other nonalcoholic beverages, Suntory has made significant efforts to improve PET bottles to reduce their environmental impact. Changing the bottle labels from the traditional shrink-wrap to an innovative roll-type label enabled the company to cut CO<sub>2</sub> emissions from labeling by 18%. Compared with 2005, current PET bottles now weigh less than half, meaning that CO<sub>2</sub> emissions in manufacturing the bottles were also cut by 50%.

In 2011, Suntory introduced the P-ecot bottle for its nonalcoholic beverages, which weighs only 13.5 g. It was the first in the industry to develop the technology for recycling used PET bottles into new ones, or even into work uniforms and auto parts. This technology reduces the amount of petroleum-derived material in each bottle by 90% and CO<sub>2</sub> emissions by 60%. It is currently working on a method to use biomass to produce bottles, which will not involve the use of any petroleum-derived materials.

Japan has an estimated 2.5 million vending machines for food and beverages alone, which use significant amounts of electricity and emit CO<sub>2</sub>. Suntory devised a more eco-friendly type of vending machine equipped with a heat pump that slashes CO<sub>2</sub> emissions by 49%. That vending machine model is being rapidly introduced nationwide. The group continues R&D to come up with even better types of beverage bottles and the vending machines in which they are sold.

Along with its planned CSR activities, the Suntory Group is a rapid responder to emergencies. Examples were earthquakes in Chile, Haiti, New Zealand, and the Tohoku region of Japan and the 2011 flooding in Thailand. Suntory sent contributions and supplies to the people affected by those disasters as soon as was possible.

CSR reports and group profiles are issued annually to let the public, partners, and suppliers know about all of Suntory's efforts to give back to communities and help conserve the environment. Surveys conducted by third parties continue to show that the public ranks the group in the top 10 in terms of trustworthiness. Suntory's aim is to gain even more trust and continue to be the type of company that protects the environment and operates sustainably.

## **Maybank: Humanizing Financial Services across Asia in a Sustainable People Development Approach**

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*Nora Abd Manaf*

*Senior Executive Vice President and Head, Group Human Capital  
Malaysian Banking Berhad*

From 2008, Malaysian Banking Berhad (Maybank) has been going through a transformation. An analogy of Maybank's transformation and progress since 2008 commonly used by the staff (called "Maybankers") is that of "Maybankers changing the tires and wipers, and tuning the engine of a fast moving racecar while it is speeding and winning the laps." There are no pit stops in organizational change as you can't call a time-out from the race and the competition. Organizations need to be able to transform to achieve superior performance regardless of the challenges in the market conditions. When Maybank was started in 1960 by its visionary leader, Khoo Tek Puat, it was called the Coffeeshop Bank and faced competition from established financial giants like Standard Chartered Bank and HSBC. Against overwhelming odds, the bank was successful and continued on to become the number one bank in Malaysia, registering double digit growth until a few years before 2008.

However, growth did slow in the late 1970s, and it was realized that an injection of capital was required. That came from a government-linked investment arm called Permodalan Nasional Berhad, which became a major shareholder. With its larger capital base, Maybank continued to grow. It has become the largest bank in Malaysia, no. 4 in Southeast Asia, and no. 134 globally, with an AAA credit rating from Moody's. Maybank is aggressively pursuing growth and has operations in London and New York, and 2,200 other offices in 17 countries. The recent acquisitions of BII and Kim Eng positioned Maybank as a leading regional player. There are nearly 400 branches in Malaysia and 300 in Indonesia. Staff worldwide now number approximately 45,000. In 2010, Maybank achieved USD1 billion in profit after tax for the first time and current total assets exceed USD350 billion. Shareholders number more than 10.5 million and the bank serves over 22 million customers.

However, by the mid-2000s, the Maybank's financial and non-financial indicators were showing a downward trend, while the competition was accelerating their growth, which was one of the drivers for it to implement its transformation plan in 2008. Customers were starting to give feedback that Maybank was not as welcoming and hungry for business. The board of directors concluded that urgent changes were needed and the bank started on its transformation journey.

The new mission of Maybank is "humanizing financial services across Asia" and was communicated last year in 2010. The pillars of its corporate social responsibility (CSR) program are serving the community, the workplace, and the marketplace while caring for the environment. People development is the underlying internal goal. It is believed that if every Maybanker embraces those corporate values, that they will be transferred to their community, whether formally or informally, in a sustainable manner. Each proposed initiative is examined in light of the four pillars and mission of humanizing financial services.

Humanizing financial services translates into a corporate strength. For example, Maybank endeavors to provide financial services across a spectrum of people including "making the unbankables bankable." This means that it will endeavor to find ways to provide financing accessibility to people in the society, balancing strong risk management with enabling people with prior poor credit history to be able to secure financing, provide there are evidences of

improving situation management. Maybank's overall intention is to raise the overall social-economic conditions and contribute towards the nation's wealth creation.

The Tiger is Maybank's logo. It symbolizes the group's core values of Teamwork, Integrity, Growth, Excellence and efficiency, and Relationship building, which has the acronym of TIGER. Maybank's CSR program is called Cahaya Kasih, and it makes contributions towards the preservation of these magnificent animals and their habitats. At present, Maybank undertakes around 70 CSR initiatives annually, which focus on abandoned children, senior citizens, and scholarships for training/retraining in co-operation with government-linked programs for students. Starting in 2010, scholarships for study abroad have also been granted. In addition, there is a Global CSR Day each year in all Maybank branches, where employees choose a cause to volunteer for.

The Maybank transformation also extends to internal practices. A Career Transitioning Center (CTC) was set up to assist employees in finding new positions where their performance had indicated that they were not in the right positions. Over 70 employees have been successful re-trained and re-deployed under the CTC.

Unlike most organizations, Maybank performs surveys both externally and internally to determine how it is serving its customers and to understand how it could meet employees' needs better. The internal survey results were poor when the surveys started in 2008, with only 20% reporting that they were happy in their jobs. That has now improved to a 40% satisfaction rate. Partly as a result of these surveys, a culture of measurement is now in place. All units enter data in a compulsory "performance dashboard," allowing benchmarking over time and among different areas of operations as well as against global high performing companies. For example, at the beginning of the transformation in 2008, Maybank was at the 77<sup>th</sup> percentile in its employee engagement survey, against the global high performing companies' benchmark at the 83<sup>rd</sup> percentile. It has now, however, improved to the 85<sup>th</sup> percentile (2012).

Currently, the bank is addressing two key areas to position itself as a leading Asian Financial Services institution: 1) the need to be more efficient and effective; and 2) the need to be innovative in the financial services offered. Maybank continuously tracks and measures world standard efficiency rates and product bundling solutions, and is constantly pursuing continuous improvement. The sustainable culture of measurement now in place ensures that Maybankers understand the bank's current position and what needs to be done to transform itself into a global high performing organization.

## Latest Currents in Corporate Social Responsibility

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Corporate social responsibility (CSR) has been discussed since at least the 1900s. When Henry Ford introduced assembly-line mass production in 1908, he declared that it was not enough for the Ford Motor Co. simply to make a profit; it should also work for the laborers and contribute to society. The successive waves of globalization in the modern era have led to the evolution of the current concept of CSR.

In post-World War II economic development, the first wave of globalization was heralded by the process of vertical integration in manufacturing from the 1960s until the late 1980s. Political developments such as the fall of the Berlin Wall, breakup of the former USSR, and expanded EU membership in Europe contributed to globalization. This meant that the more developed nations took advantage of low labor costs in the developing nations to build manufacturing facilities there and market their products to the entire world. The connections created by vertical integration also caused friction as differences in labor standards, cultures, and political systems were seen in stark contrast. Companies in developing countries generally ignored those differences and focused solely on offering low labor costs, sometimes to the detriment of social good.

As Nobel laureate in economics Prof. Paul Krugman (1994) [1] pointed out in *The Myth of Asia's Miracles*, Asian growth in the 1980s and early 1990s was based on capital invested by developed nations in manufacturing plants located in less developed ones. This did not result in productivity growth in the host nations and hindered overall socioeconomic progress. Corporations such as Nike recognized this problem, and steps were taken by many to practice CSR for the benefit of workers and local societies.

With the second wave of globalization from the 1990s, the developed nations made the switch from manufacturing-based to service-based economies, relying mainly on distribution, finance, and IT for growth. Financial institutions in particular underwent very rapid global integration, which later caused problems we are still seeing in the form of the European debt crisis and others. The principles of responsible investment (PRI) proposed by the UN were one direct result of the evolution of CSR during the second wave of globalization.

Another result of the second wave was the development of ISO 26000, which was published in 2010, in an attempt to define the principles and standardize the concept of CSR. Intensive discussions among representatives of developed and developing countries, corporations, NGOs, and other stakeholders were conducted before ISO 26000 was finalized. A publication in the *Harvard Business Review* in late 2006 had a major effect on those discussions, changing the way many viewed CSR. In their paper *Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility*, Porter and Kramer (2006) [2] argued that CSR activities must both contribute to society and raise the corporate value or they cannot be sustainable.

That paper led to the idea that CSR must be integrated into the core activities of businesses. In addition, investors and customers should be made fully aware of CSR activities through integrated reporting of financial and other information, including PRI compliance. CSR should therefore not be viewed as a cost but as part of strategic decision making by top management to create corporate value while sharing profits with society and communicating openly. Because

each company is different, CSR activities must also be developed individually as appropriate to the core values, stakeholders' values, and local environment.

Three examples of innovative, strategic CSR programs are those undertaken by Nestle, Unilever of India, and Vodafone. The food industry giant Nestle supports good farming practices and promotes nutrition and water conservation in developing countries. This gives Nestle a supply of healthy, safe raw ingredients for its products while creating new consumers and markets.

Unilever of India hit upon the idea of selling smaller-sized packs of detergents and shampoos at a correspondingly lower cost. To do that, it trained women in rural areas in the appropriate use and sales of its products, giving them productive employment and social empowerment in their communities while contributing to better hygiene. That CSR program also results in enhanced brand value among an informed customer base.

Focusing on developed rather than developing markets, Vodafone of the UK recognized that the elderly and people with disabilities were at a disadvantage when it came to using mobile phones. It therefore devised new phone models with larger pushbuttons and bigger screens to accommodate that group. Since demographically the elderly segment is growing in all developed markets, this new product range will continue to attract new customers who appreciate the mobile communication access provided by Vodafone.

Putting the ISO 26000 standard into practice in daily operations is not easy for many companies, however. It may be difficult to balance the seven elements of human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement, and organizational governance with the core business activities. For example, a 2011 survey showed that most Japanese companies are aware of what needs to be done to protect the environment while conducting business, but the human rights or labor practices elements in an international setting may be less clear to them. With time, more examples of appropriate CSR practices, and further evolution of the CSR concept, such difficulties should be resolved for the benefit of all.

If activities performed by a company increase its value as a business, do not harm the environment, and contribute to society, and if those are communicated openly to stakeholders along with full financial disclosure through integrated reporting, then it has put in place a meaningful, strategic CSR program.

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## Promoting Sustainable Productivity in the Asia-Pacific

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As the sole international organization dedicated to improving productivity as a way to contribute to the sustainable socioeconomic development of its 20 members in the Asia-Pacific, the Asian Productivity Organization (APO) is constantly alert to new trends in the business world. Starting in the 1980s, the concepts of productivity, profitability, and how business should be carried out began to change. First in Europe and then in other regions, people started to realize that not only economic figures but also social elements drive overall productivity. There was a shift from an input-oriented economic viewpoint to one that took into account sustainability, governance, ethics, and social responsibility. This obviously had an impact on APO member countries in the globalizing economy.

The APO had been examining linkages between sustainable socioeconomic development, productivity, and the environment, particularly under its Green Productivity (GP) program initiated in 1994 in response to the 1992 Rio Earth Summit. In 1996, the APO and International Labour Organization performed a joint survey to determine the economic, legal, and regulatory conditions in member countries that might affect corporate social responsibility (CSR) activities. The results are compiled in *Productivity and Quality Management: A Modular Programme* (Prokopenko & North, 1996) [1], a reference publication available for free download at [www.apo-tokyo.org](http://www.apo-tokyo.org).

One of the first projects conducted by the APO specifically in the area of CSR was on SA 8000, the social accountability guidelines published in 1997. Introducing SA 8000 to member countries through a seminar, training course, and web-based e-learning course created a regional common understanding of how CSR helps to raise productivity and make enterprises competitive in a sustainable manner. In 2004, the APO organized a study mission to the UK, at that time a leader in incorporating CSR into industry. Subsequently, when it was demonstrated that EU-based companies with a CSR strategy outperformed those that did not, the APO sent a mission to the UK, France, and the Netherlands in 2008 to examine the best European examples of CSR strategy.

The APO Top Management Forum in 2005 addressed CSR from the conceptual perspective of developing a common agreement on why it is important, how it relates to environmental management, how it can contribute to more profitable corporate management, and the idea of socially responsible investment. That was still in the early stage when APO member countries were just beginning to incorporate CSR into their productivity strategies.

The most recent APO efforts in CSR have focused on ISO 26000. Two projects were held in 2011 because member countries had become very aware of the concept of CSR and why it is important and were eager to learn the basics of ISO 26000. An e-learning course in May 2011 was followed by an advanced seminar. Those enabled participants from APO members to develop strategies to introduce the standard into the activities of their own organizations. The APO's GP program has broadened in scope over the years to include ecodesign, green procurement, greening supply chains, and material flow cost accounting. The APO believes that GP is very relevant to CSR efforts since it encourages the incorporation of sustainability and sound environmental management in development policies.

The 28th Top Management Forum in 2012 represents a further effort by the APO to study the features of CSR practices undertaken by leading enterprises for sustainable productivity improvement. It is important to share best practices among top executives to encourage a culture of social responsibility within organizations, which will in turn lead to the adoption of those best practices at the national and regional levels. Through the 2012 Top Management Forum, the APO hopes to discover how organizations interpret their roles in society and then decide how to contribute in socially responsible manners. It is hoped that the speakers will give those attending the forum successful examples of management models for integrating CSR into daily business activities. The 37 participants representing different sectors are also asked to share their experiences in promoting and practicing CSR and disseminate the ideas explained during the forum in their own countries.

In the 1987 report of the Brundtland Commission under the UN World Commission on Environment and Development called *Our Common Future* (Brundtland, 1987) [2], it was stated that, “No single blueprint of sustainability will be found as economic and social systems and ecological systems differ widely among countries. Each nation will have to work out its own concrete policy implications. Yet, irrespective of these differences, sustainable development should be seen as a global objective.” This could also be applied to the Asia-Pacific region. Each APO member must devise its own policies on and strategies for CSR while seeking to reach the common objective of achieving sustainable development. The APO will continue to assist its members to do this by providing a platform for regional exchange of best practices in CSR and conducting research to determine how CSR can best be integrated into business operations to benefit the productivity movement in the region as a whole.

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II

Appendix



## **Top Management Forum on Corporate Strategies for Driving Sustainability in the Asia-Pacific** (13–15 February 2012, Kyoto, Japan)

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### **LIST OF SPEAKERS**

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