The role of information disclosure on corporate environmental management –

The case of Germany

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Contribution to the workshop on
The role of information disclosure on corporate environmental management
IGES/Kobe University
5 November 2010

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Introduction

Information disclosure on corporate environmental management in the case of Germany has been regarded under two aspects: The legal aspects and the dimension of Corporate Social and Environmental Responsibility.

For Germany its corporate governance system is largely determined through its co-determination structure, i.e. capital and labour work closely together in trustful cooperation, as defined in the Works Constitution Act. The economic system is defined as a “Social Market Economy”, where capital is socially controlled and has to serve the public good. This model also extends now to the European level, e.g. the SE – the European Company. Corporate Social and Environmental Responsibility play therefore a prominent role within business and namely in public corporations. Communication is based on trustful cooperation. That means that different opinions are normally regulated by compromise, round tables and negotiations.

Information disclosure on corporate environmental management covers the following stakeholders:

- The shareholders
- The different levels of management
- The workers
- The clients
- The suppliers and
- The local, regional, national and global communities.

In so far the whole process is closely linked to Corporate Social and Environmental Responsibility.
The German case

- Information disclosure on corporate environmental management in the case of Germany is bound by different regulations as well as customs and practices.
- A specificity of the German case is that its economic system is characterized as a “Social Market Economy”, i.e. capital is responsible by the German Fundamental Law (art. 15) to the public.
- A second element is its structure of codetermination, i.e. that companies with more than 2,000 employees fall under the law of codetermination from 1976. The whole sector of coal and steel is under paritary codetermination since 1951.
- Also most other companies fall under the Works Constitutions Act from 1951, reformed in 1972.
- These regulations have an apparent effect on information disclosure on corporate environmental management.

Labour relations

- Besides there are number of customs and practices, which complement these regulations. The principle of the Works Constitution Act is the “trustful cooperation” between management and the works councils. This form of co-operation is also designated as “Social partnership”, i.e. instead of conflictous labour relations a consensual strategy is the basis. Apparently this principle and its praxis has enormous effects on information disclosure on corporate environmental management.
Shareholders

- Green investment has become a relevant part of institutional as well as private investment. The disclosure of relevant information on environmental strategies is central in communication to the shareholders and potential ones. Special PR-activities were developed. The homepages of the companies are very good indicators for this new situation.

Clients

- Critical, environmentally oriented clients have become a strong force for the dialogue with the corporate world. These clients are often represented by NGOs and trade unions.
Suppliers

- New forms of cooperation between main companies and their suppliers have evolved in regard to information disclosure on corporate environmental management over the last couple of years. It has been proven that high environmental standards can only be realized, if the suppliers are integrated into the production process in a very early stage, as in many cases – e.g. the car industry – 70 % or more of the value-added product are delivered by suppliers.

The local, regional, national, and global communities

- Many scandals concerning pollution and waste in all its forms have affected the quality of life of the local, regional, national and global communities. Local, regional, national, and global communities have therefore organised themselves to fight against this deterioration of the livelihood and neighbourhood. World-wide trusts endanger nowadays the future of the whole planet. To overcome this situation adapted new forms of Information disclosure on corporate environmental management emerged. However, it is still long way to go. One strategy, which has been practiced since a number of years is – what I call – Environmental Kaizen.
A comparative German-Japanese project

- The presentation is based partly on the findings of a comparative research project, which has been co-financed by the German Federal Environmental Foundation – the biggest of its kind in Europe. The research has been realised within ECOS Japan Consult, Osnabrück, Germany.

- Within Germany as well as in Japan five small and medium sized companies in the industrial sector were investigated in regard to
  - how far they are able to cope with the challenges of sustainable production,
  - how far there are differences in this respect between German and Japanese companies,
  - and how far similarities can be found.

What is Kaizen?

- The word ‘Kaizen’ – also known as permanent improvement process – is formed by the words ‘change’ (kai) and ‘good’ (zen). In the core it is foremost only to be regarded as a collection of well known management instruments. Among them are: Quality circles, Zero-default principle, Zero-buffer process, Just-in-time deliveries, integration of research and development departments of the suppliers and the customers. Besides it is not a single or temporary management strategy, but a continuous, incremental rationalisation method, which asks for the involvement of all employees of the company.
New is only the focus on co-operation and teamwork on the one side and customer orientation on the other side. And in regard to customer orientation not only Germany is a developing country. (Cf. figure 1)

In this presentation the focus lies on the possibilities to gain advantage out of the combination of company environmental protection and Kaizen, to realise permanent cost reductions and process improvements – as some Japanese companies already do.
How are long-term TQM-activities in German companies implemented?

- TQM has first of all to be an affair of the top-management and be regarded as a permanent CEO-affair. The TQC-meetings are to be organised by a coordinator for environmental affairs, and Quality circles to be moderated and coordinated by employees – and not necessarily by the supervisors, only include few persons (in Japan four to six), last one to two hours per week, and at least temporarily take place during working-time. According to the Japanese approach they involve all employees. It is worthwhile to start only with volunteers. It can be important that topics are on the agenda, which have been proposed and chosen by the participants themselves (Figure 2).

Figure 2: Organisational model of TQC
Back to the environmental problems: Customer satisfaction does not just signify image care – e.g. improvement of their packaging or waste policy. Customer satisfaction signifies too to be active within political, social, legal and other arenas and to try to develop environmental-friendly ways. In this context it should not be forgotten that what is today environmental-friendly, is not necessarily so tomorrow. Therefore environmental kaizen has to be flexible, has to adapt permanently to new developments and to evaluate them.

Environmental Kaizen in German-Japanese comparison

- A comparison of the environmental kaizen-praxis in Japan and Germany can only be roughly done here. However, there are some clear tendencies, where differences between Japanese and German companies can be demonstrated:

- **Company philosophy and time dimension**

- The Japanese company is first of all determined by its company philosophy of continuity, the permanent improvement of its products, its client orientation as well as its long-term entrepreneurial perspective. In contrast to that in Germany during reorganisation often the old structures are completely overcome and the companies – in difference to the Japanese – in general plan only in a mid-term perspective.
“A basic knowledge of the participants over the interrelationship of their tasks with the environmental protection in the company is necessary. An effective participation in the quality circles is promoted if the technologies for problem solving, idea generation and creativity as well as the quality techniques to be applied are mastered. The investment in training before the first meeting is therefore always of benefit.” (cf. Butterbrodt, p. 85).

Kaizen as link to the market – Customer orientation

- A lack of customer orientation in regard to environmental problems has already often led to problems with the image of the company and to enormous, but evitable costs, as the case of Shell/Brent Spar has demonstrated in 1996. The increasing critique in regard to customer orientation in Germany has proven very clearly that only a few German companies apply the Kaizen-concept correctly. And even so that the also in Germany much read Guru of Kaizen, Masaaki Imai, has clearly expressed that Kaizen besides product quality includes also customer oriented delivery times and service.
Kaizen means too, to fulfil customer wishes through communication, i.e. to respect them as well in the construction process and the environmental protection through integration of all suppliers. Above that this gives an explanation, why Japanese companies are bringing permanently product improvements on the market, and contribute to the effect that always shorter innovation cycles are enforced on the international competitors. Nevertheless German engineers still believe quite often – in face of the evident Japanese market success [1] – that Japanese companies are not able to realise big innovation jumps.

[1] Closely linked to the Japanese Kaizen-concept are the Quality circles as well as customer orientation: all activities of TQC are customer orientated.

What does customer orientation mean?

- Four factors are central in this context:
  1. Customer orientation has to be an important management target, where all employees have to be involved.
  2. Communication with the customer has to be a priority.
  3. Customer satisfaction has to be evaluated regularly.
  4. A permanent effort to improve customer satisfaction has to be a routine.
In regard to Kaizen this means foremost that in Japan improvements are introduced, even when the market situation is satisfactory. Whereas in Germany improvements are only implemented when the market situation is not satisfactory – and then often the older positive elements of the existing structure are eliminated in a hectic atmosphere.

Employee orientation
In Japanese companies the smallest unit is the working group, in German companies that is the individual. In so far the strength of the Japanese is their group-discipline, whereas for the Germans it is their self-discipline.

Project realisation
In contrast to Germany during the project realisation much more time is spent in Japan for planning. The main reason for that lies in the participation and co-ordination in the preparation of decision-making and realisations with all those concerned. (Figure 3) This procedure has the advantage that in the realisation phase a few errors occur, and that there is much less resistance than in German companies. The results are evident: The realisation of projects can be accomplished quicker, smoother and above all with less costs.
Transfer of knowledge

**Kaizen is not to be transferred to Germany in a 1:1 relation; for that the cultures are too different.** Besides there are strengths of German employees, and part of it is certainly their creativity, which is to be used. Here it is first of all the task of the coordinators for environmental kaizen that their team members are not only to be convinced of the importance of environmental kaizen, but also to use the creative potentials of the employees.

In consideration of the Japanese competition one thing has to be kept in mind: When Japanese companies in the environmental sector decide to become number one on the world market then they will do everything to reach this goal. Whereas in Germany there are often great visions, but a lack of implementation, because resistance within the company due to a lack of co-ordination or even resistance in the political, social, legal or cultural company environment occur. Kaizen with its customer orientation can begin here, to calculate resistance from the very beginning to overcome it. Here follows the example of a successful German company:
**From Quality management to Environmental management – the example of the international logistics company Hellmann**

Parallel to the introduction and certification of the quality management system according to DIN EN ISO 9002 the working group environmental protection developed a system to improve the enterprise group environmental protection, for which the company already in 1992 received the environmental award of the DEKRA Environment GmbH.

Priorities were the respect of legal obligations, the development of environment-friendly transport systems, the controlled use of energy, environment-friendly purchase, separation of waste as well as environment-friendly shaping of the exterior of the company. For the sensibilisation resp. strengthening of the environment-consciousness of the employees, the were involved into this concept from the very beginning.

After the first draft of the „Handbook for the business environment protection“ had been finished, the contents of the handbook was structured accordingly to that of the quality management, to use so the possibilities to comply with the demands of the EC-Eco-Audit ordinance or the prepare the foundations for the certification according to DIN EN ISO 14001.

So the preparations were made for a validation according to the EC Eco-Audit Ordinance and implemented, though the legal requirements (Eco-audit Law from 15 December 1995) did not allow yet that companies within the transport sector participated „voluntarily at a EC-system for environmental management and environmental certification“.

Target of the top-management was therefore to apply for the certification according to DIN EN ISO 14001, because this certificate is internationally recognised.

So, as a complement to DIN EN ISO 9002 an environmental management system was established, where environmentally relevant elements of DIN EN ISO 14001 were integrated. The following figure shows the overlapping of the management systems.

[1] Headquarters are in Osnabrück, Germany.

http://www.hellmann.de/de/