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**"APPROACHES TO SUSTAINABILITY REPORT IN DIFFERENT  
CULTURAL CONTEXTS: THE FOOTWEAR INDUSTRY"**

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A mio zio Giulio

“Lontano si ferma un treno  
Ma che bella mattina, il cielo è sereno  
Buonanotte, anima mia  
Adesso spengo la luce e così sia...”

*Cara*, Lucio Dalla (1980)



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# INTRODUCTION

Corporate Social Responsibility (CSR) is a multifaceted concept, which can be found in the literature under different terms like corporate citizenship, sustainability, philanthropy. The study of CSR has recently emerged as one of the most important and actual topic, due also to the recent worldwide dynamics as regards environmental issues and corporate social impacts. Business approaches to sustainability are influenced by several forces, like institutional, political, economic and cultural variables, which make the study of how companies integrate social and environmental sustainable strategies in the business operations complex to develop. This thesis focuses on the study of sustainability disclosure, in the form of Sustainability Report (SR), a tool for CSR communication which is still held voluntary in many countries. What emerges from findings of academics is that in recent years the number of SR published has increased, especially those applying the worldwide recognized Global Reporting Initiative guidelines (GRI Standards), which have been designed as the principal and predominant standards for companies' reporting on CSR. Their ultimate aim is ~~also~~ to encourage standardization and increase comparability of SRs.

Since in recent years there has been a remarkable effort towards more standardized practices, *“in a globalised and networked world economy, it could be expected that managers address sustainability challenges similarly, regardless of country-specific characteristics. Alternatively, it could be argued that the degree of engagement for sustainable development varies according to country-specific historical and cultural backgrounds as well as in the resulting environmental, social and economic conditions”* (Harms et al., 2014).

The thesis aims to identify differences and similarities between the reports used by companies coming from different cultural areas for communicating their results in CSR.

The first chapter gives a general picture of Corporate Social Responsibility and the theme of disclosure, by providing the main definitions of CSR and by presenting the different theories about CSR elaborated by academics.

The second chapter focuses on the relations between CSR and national culture: after a brief definition of what is *natural culture*, three different cultural contexts are defined by using Hofstede's *cultural dimensions* framework: U.S., German, and Japanese cultural contexts. Some empirical analysis about relations between CSR and national culture are then presented.

In the third chapter the concepts defined in the previous chapters are applied in the apparel/footwear industry. “Sustainability” is declined in three dimensions: environmental, social and economical. This section also contains information regarding the identification of

the companies selected and about the framework used for the analysis. The three companies selected for representing the three cultural environments presented in the previous chapter are: Nike Inc. for the U.S. culture, Adidas Group for German culture, and Asics for Japanese culture. The methodology used for analysis is adapted from the paper of Montiel et al. (2016) and inspired by G4 guidelines issued by the Global Sustainability Standards.

In chapter four, through the use of a framework defined in the previous chapter, the Sustainability Reports of these three companies are presented and compared in order to underline any influence of cultural environment in the structure and in the contents of those reports.

The final chapter contains the presentation and the discussion of the results of the analysis performed.

# CHAPTER 1

## 1 Introduction to Corporate Social Responsibility (CSR)

CSR will be presented as an interdisciplinary argument since it touches business studies, economics, sociology, politics, law and even philosophy: this peculiar aspect, together with its belonging to a relative young field of practice, has contributed to the development of different, numerous theories. The second part of the first chapter will be dedicated to the panorama of theories that have investigated and justified the approaches adopted by companies (especially, Stakeholder theory, Institutional theory and Strategic theory).

### 1.1 Definition(s): core characteristics of CSR

CSR has been object of different interpretations and application. Although the rising of CSR, the consequent development of Global Standards, CSR is still missing a clear, well-structured definition. As McWilliams, Siegel and Wright stated in 2006, "*There is no strong consensus on a definition for CSR*". CSR can be used with different meanings: as emerged from Votaw's study (1972) and then reported by Garriga and Melé (2004), "*Corporate Social Responsibility means something, but not always the same thing to everybody*". The complexity of defining socially responsible behavior is certainly due to the fact that the idea of CSR could change accordingly to the geographic area, to the period we are living and, finally, to the dimensions of CSR taken into consideration (Campbell, 2007).

Accordingly to Matten and Moon (2008), "*CSR is an umbrella of related concept*", which evolves over time when values change.

Many other researchers address also the problem to the *multidimensionality* of CSR: as a matter of fact, CSR could refer to different contexts, like for example ecology, society and economic system, depending on the level at which CSR is approached. CSR should engage with corporate finance, with compliant production system (in particular with laws regarding environmental sustainability, employees treatment and products' quality) and with marketing and human resource management (Perrini, Tencati, 2011).

The intention of this paragraph is not to report all the different definitions available of CSR, because it is not our key focus, but to cite just the most popular ones.

Among several definitions, one of the most cited is Carroll's. The author suggested that "*the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time*" (1979) and that "four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic" (1991). Moreover, Carroll organized these four categories of CSR into a pyramid (see figure).



Figure 1 Carroll's CSR Pyramid, 1991

Years later, the authors Crane, Matten and Spence (2008) emphasized six core characteristics of CSR that they have gathered and resumed from diverse denotations of the concept, by capturing the main thrust of CSR.

According to authors, CSR could be identified as:

- being a set of "*voluntary*" initiatives, which companies implement beyond the activities prescribed by the law. CSR could be the resulting actions taken by companies in total compliance with regulation and norms and it could be the voluntary choice of firms which does go beyond the simple respect of the normative context in which companies operate (Perrini, Tencati, 2011).
- being a way of "*internalizing or managing externalities*", result of economic behaviour, borne by others, but not taken into account in a firm's decision making process, neither in the market price for goods and services (examples of externalities are pollution, human rights violation in the workforce, sale of dangerous products).
- a concept which has a "*multiple stakeholder orientation*", since it addresses to a variety of stakeholders, by taking into deep consideration and trying to balancing their needs and interests. Stakeholders taken into account include shareholders, consumers, employers, suppliers and local communities.
- an alignment of "*social and economic responsibilities*": stakeholders needs on one side sustainability and profitability on the other.
- a "*set of practices and values*": beyond being meant as business practices and strategies, CSR represent "*a philosophy or set of values that underpins these practices*".

- a concept that goes *beyond philanthropy*: it regards the core functions/activities of a company and their impact on society.

## 1.2 CSR in a global context

If we consider multinational corporations, which operate in a global context, their business approaches to CSR could vary between countries. A corporation's *modus operandi* is influenced by numerous factors, at a global broader perspective: in fact, the conditions for CSR could vary significantly across nations, due to peculiarities of each of them. Galbreath proposed four main “determinants” of CSR strategic approaches, that should be taken into consideration when corporations think about CSR (Galbreath, 2006) and that are global CSR standards, non-governmental Organizations (NGOs), laws and institutions and culture.

The *Global CSR Standards* represent a set of guidelines and standards useful for companies that want to pursue socially responsible performance and seek to report consistently their results to the public. As intended by Galbreath, these standards are meant to be a valid help for corporations to develop CSR programs and to monitor results of their actions, by providing indicators, targets and reporting systems. The topic of Global Standards is addressed in the next paragraph.

According to Galbreath, *Non-governmental Organizations (NGOs)*, especially the advocacy<sup>1</sup> ones, can make pressure on CSR activities and CSR Reporting: among several factors that could influence the choice of one distinctive business direction, for the authors, companies have to consider the presence of NGOs. Those organizations, with their international coordinated actions, which come simultaneously from activists groups and from every part of the world, can impact companies' actions, stimulating or forcing them to assume social responsible behaviour. NGOs are defined as “*non-profit groups that combine resource mobilization, information provision and activism to advocate for changes in certain areas*” (Spar and La Mure, 2003 in Galbreath, 2006). NGOs are international organizations which, in contact with the Economic and Social Contact of United Nations, play the role of accurate observers of how global actors, like national countries, multinationals enterprises and others,

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<sup>1</sup> NGOs could be classified into three groups, depending on what these organizations do in practice:

- *Operational* NGOs: these organizations are meant to provide support trough social services like education, health and disaster relief;
- *Advisory* NGOs: their principal role is to advise and offer consultant services to mutual funds focused on social responsible investing;
- *Advocacy* NGOs: they are linked with national governments and are involved with international organizations for changes and/or adoption of socially responsible policies for businesses.

They play a fundamental role in pressuring companies to apply CSR: in particular, advocacy NGOs are transnational actors that mostly push firms to enact CSR policies (Aguilera et al., 2007).

behave and consequently report any case of misconduct. These Organizations usually share publicly the bad conducts and undesirables practices throughout the Internet, for example. They influence and put pressure to corporations by means of the mobilization of the public (Crane, Matten and Spence, 2008).

Among NGOs, one whose work is specifically addressed to CSR issues, is called AccountAbility, which have a powerful and politically significant social force. AccountAbility has been established in 1996 as the Institute for Social and Ethical Accountability, a non-profit and independent organization, whose principal scope has been that of fostering sustainable development. The AccountAbility 1000 (AA1000) has been then introduced later in 1999 as framework for assuring the quality of CSR reporting; it includes also some guidelines related to Assurance and Stakeholder engagement. AA1000 is to be considered a stakeholder driven standard. The guidelines are given, in order to impart some strategic basis to companies to adopt actions matching with specific stakeholder needs. AccountAbility does not aspire to provide a competing reporting standard against others, but it is working closely with other global entities. AccountAbility has signed a Memorandum of Understanding with the Global Reporting Standard (GRI); it works in accordance with Global Compact and serves as formal delegate to the ISO 26000 process (Tschopp, Nastanski, 2013).

Some of the most popular and globally active NGOs are, for example, Amnesty International, Greenpeace, Human Rights Watch and Corporate Watch. As regards NGOs in the *apparel industry*, we count, for environmental issues, Greenpeace Detox campaign, the establishment of Sustainable Apparel Coalition (SAC) and the ZDHC Group; for social issues, like the working conditions of people employed in the garment industry, we find Clean Clothes Campaign. The Sustainable Apparel Coalition (SAC) has been established in 2009 when Walmart and Patagonia, an American retailer the first and a “progressive brand” the second, decided to come together to develop an universal recognized approach to measure sustainability performance. Its first and main objective has been to create and develop the Higg Index, a standardized supply chain measurement tool useful for all actors in the garment industry (useful to measure sustainability performance at every phase in the lifecycle of the product and value chain, in order to identify strengths and weaknesses). The coalition’s goal is to make the Higg Index the accepted and adopted worldwide index for apparel industry.

It is fundamental to cite also the Clean Clothes Campaign (CCC), which has been working since 1989 to ensure fair working conditions in the garment industry. CCC is a global alliance of trade unions and NGOs which “*educates and mobilizes consumers, lobby companies and*

*governments and offers direct solidarity support to workers as they fight for their rights and demand better working conditions”<sup>2</sup>.*

As third element, which, according to Galbreath, influence business strategic approaches to CSR, we find *laws and institutions*, representing the regulatory environment under which a firm must operate in a given country. As stated by Aguilera (2008), the regulatory framework that a country has and the laws regarding CSR which passed by its government are “*uniquely powerful*” because they impact on the “*social expectations about responsible corporate behaviour*” of corporations, in particular the expectations of external stakeholders (including consumers, institutional investors, community, NGOs..), which, as a result, “*create incentives for firms to meet the standards, whether enforcement is a realistic threat or not*”. Citing Aguilera (2008), “*laws and policies, that government enact send a strong signal about the importance of a subject, ... amplified by business culture in the country, consumers’ interests, institutional investors’ actions, the corporate governance regime, NGOs effectiveness and the individualist vs collectivistic nature of the country’s underlying political and social philosophy*”. In this elaboration, the regulatory environment of countries and its impact is not subject matter for discussion, so it will not be examined in detail;

Lastly, *Culture* is considered an important aspect in the development of CSR strategies; culture can be defined as a set of values and beliefs that people has and that identifies the members of a group (national and/or organizational) and distinguishes them from other groups (national and organizational); the national culture will be the core focus of the thesis, so it will be further developed in next chapters. In fact, even if Galbreath downsized the role of culture in the influence it could have on successful implementation of CSR, this thesis will consider cultural values and the overall national cultural context as a fundamental topic for defining differences and similarities among countries

### **1.2.1 CSR Global Initiatives**

Global CSR initiatives, otherwise said multi-stakeholder initiatives, started to expand globally due to the growing significant need of CSR governance’s renewal. Considering the lack of national or, even, global CSR regulation , they have been created as types of “collective self-regulation”, in order to compensate to this deficiency. (Zeyen, Beckmann, Wolters, 2014). In this scenario, companies end up to be, with other stakeholders, co –creators in the process of CSR standards development and voluntary users of these tools (regarding project financing,

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<sup>2</sup> <https://cleanclothes.org/about/who-we-are>

regulations, general business principles, sustainability reporting, sustainability resource management).

Over the past half century, a significant growth of private companies in terms of size and scope has been registered, thus their behaviors have increased their footprint on society and on environment.

It is around the mid '90s that several initiatives have been undertaken to concretize the issues of social responsibility and to develop a set of guiding standards, useful at the global level. The increasing interest towards CSR could be seen through the diffusion of these numerous models and approaches which are used and recognized all over the world, at global level (Perrini, Tencati, 2011).

From the beginning, these standards issued by these international organizations were characterized to be different one from the other in terms of who initiated them and why they were originated: some of them were the result of companies initiatives, others of Governments and multilateral organizations or of multi-stakeholder consortiums. Their purposes were different, as well: some standards were created as codes of conduct and as principles, others as management and investment guidance or as reporting indicators. At first, these instruments have emerged without a clear legal framework on roles and responsibilities for business in the environment, in the labour market, in terms of human rights etc. Discussing about global standards means to talk about the role that CSR plays at transnational level: as assessed by Brammer et al. in 2012, a theorist from Institutional Theory, transnational global institutions are useful in the institutionalization process of norms, rules and standardized procedures for CSR, valid for the whole world at a global level. This represents an important aspect for CSR because of the absence of a codified and respectable transnational regulatory body.

In the recent years, a certain degree of convergence has been gained: the majority of CSR initiatives have started to align with international conventions or agreements, like the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Convention against corruption, and several environmental conventions.

The European project aimed at reaching uniformity has not been easy to deal with: many and significant differences are still in place across European countries. As a matter of fact, we can say that the cross-national convergence in CSR across Europe seems to have a long way ahead: it is still an ongoing process. The diversity in terms of socio economic context and of cultural and political heritages plays a notable role in affecting the idea of CSR standards harmonization, not only with respect to EU, but also globally.



It is remarkable that the development of international framework, such as *OECD Guidelines*, *Un Global Compact*, *Global Reporting Initiative (GRI)* and others, put more pressure to companies to behave socially responsibly and to evaluate their own financial, economical and social performance, assessed by its compliance with the current CSR standards. The appliance of these standards by companies did enforce the credibility to their commitment towards CSR, but we cannot surely assess how much these frameworks influence firms' real commitment, in terms of initiatives and activities. The benefits that could arise from the development of reporting standards and global guidelines to the appliance of good social behaviours by companies are not surely proved by scholars, like Cooper and Owen (2007), Gray et al. (1988) (Boesso, Kumar, Michelin, 2012).

However, as reported by Zeyen, Beckmann, Wolters (2014), it is evident from literature that these multi-stakeholder initiatives are often reasons for disagreements or tensions (Graz and Noelke, 2008). One of the major problem that these initiatives face is the “*non binding character of standards*”, so as highlighted by other authors (Mena and Palazzo, 2012, Vogel, 2008), they often leading to free-riding activities of companies.

Hereby, major global standards that have been promoted by international organizations.

### **OECD - Guidelines for Multinational Enterprises**

The first global standards which has been issued in the late '70s was the *OECD Guidelines for Multinational Enterprises*, frequently updated over the years. The last update dates back to 2011, the fifth since they were adopted in 1976.

The OECD Guidelines consist on recommendations provided by governments to multinational enterprises: they include a set of principles for responsible business conduct, which are consistent with applicable laws. The principal scope of the Guidelines is to ensure harmony and mutual confidence between enterprises, both parent and local companies, and government. Multinational companies are expected to cooperate with local entities and act responsibly and consistently, while Governments should encourage them to observe the Guidelines recommendations, even by prescribing conditions at national level, which must comply with international law. As a matter of fact, two of OCSE Guidelines aims are to improve conditions for foreign investments and to enhance MNE<sup>3</sup>'s contribution to sustainable development.

In addition, the guidelines encourage companies to regularly provide relevant information about their activities, economic and financial performance, consequent to the Guidelines appliance.

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<sup>3</sup> MNE (Multinational Enterprise)

## UN Global Compact – Ten Principles

The Un Global Compact exists from 2000, when it first was created with the aim of catalyzing and fostering voluntary participation of businesses towards CSR. Since the creation, the UN Global Compact’s mission has been dual: at one end, it aims at being a voluntary “corporate citizenship initiative”, with the scope of supporting the private sector to adopt a set of core values, the so called *ten principles*, in the areas of human rights, labour, environment and anti-corruption; at the other, it represents a “forum”, a “platform” in which economic, political and social actors could cooperate promoting core UN values and global goals, not only among industrialized countries, but also in the developing world.

The Un Global Compact pursues two main and complementary objectives:

- Make UNGC *Ten principles* a fundamental and integrative part of all adherent companies’ strategy and daily operations;
- Encourage and foster cooperation and dialogue among all stakeholders, supporting Ten Principles and the general objectives of United Nations.

Today, the UN Global Compact counts around 8.902 companies from 166 countries<sup>4</sup> and it could be defined “the world’s largest sustainability initiative”. It asks to its participants to support and apply ten principles, below grouped in the areas of Human Rights, Labor Standards, Environment and Anti-Corruption.

**Figure 1 Un Global Compact Ten Principles**

Area	Principles
Human Rights	1) Businesses should support and respect the protection of internationally proclaimed human rights; and 2) make sure that they are not complicit in human rights abuses.
Labour Standards	3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4) the elimination of all forms of forced and compulsory labour; 5) the effective abolition of child labour; 6) the elimination of discrimination in respect of employment and occupation.
Environment	7) Businesses should support a precautionary approach to environmental challenges; 8) undertake initiatives to promote greater environmental responsibility; 9) encourage the development and diffusion of environmentally friendly technologies;
Anti-Corruption	10) Businesses should work against corruption in all its forms, including extortion and bribery.

Once the commitment by companies is made, the participant firms must apply these ten principles in day-to-day operations, by incorporating them into their strategy and culture. Companies are also asked to “communicate” their compliance to the UN Global Compact with the publication of their annual financial reports and sustainability reports, the so called “Communication on Progress”. It is notable that the UN Global Compact merely fosters companies to adopt its principles, but it neither regulates nor monitors a company’s activities.

<sup>4</sup> Website consulted, the 11<sup>th</sup> July 2016

## **International Standard Organization (ISO) – ISO 26000**

The International Standard Organization (ISO) represents a network of 163 countries, which creates technical and organizational standards, as stated in its website “*We're ISO, the International Organization for Standardization. We develop and publish International Standards*”. Its scope is to develop harmonized international agreements among principal stakeholders and countries. ISO could be considered more powerful and influential than other NGOs, since it sets standards that often become law, at national level or within multilateral agreements.

Beyond ISO9000 standard of “Quality Management” and ISO14000 of “Environmental Management”, which could be considered as standards for third-party certification, ISO has also developed in 2010 the *ISO26000*, a standard for Corporate Social Responsibility as a “*practical guidance*” on implementing and integrating social responsibility in an organization. As a matter of fact, its mission is to add value in terms of efficiency, safety and cleanliness to all types of companies’ operations, as for example the manufacturing, development and supply of products and services. As other CSR initiatives, ISO follows a bottom-up approach, by encouraging rather than regulating companies’ voluntary initiatives and actions. At the same time, the ISO26000 fosters harmonization in reporting, sustaining that harmonization, in terms of reporting, could better facilitate transparent communication.

## **Global Reporting Initiative (GRI) – GRI Standards**

The Global Reporting Initiative represents a non-profit, independent organization which provides a sustainable reporting framework: it has been created to guide companies to publicly provide balanced and reasonable reports about their economic, environmental and social performance. It is developed through a multi-stakeholder process, led by the GRI secretariat and it gives a reporting standard for triple-bottom line reporting. GRI has also begun a collaborative and strategic relationship with other global CSR organizations, like OECD, UN Global Compact, UNEP (United Nations Environment Program) and ISO.

Furthermore, GRI’s mission is to help companies with its reporting frameworks and guidelines and, in a long-run orientation, to make environmental and social reporting as used as the financial reporting worldwide. The Reporting Frameworks available for the public are not compulsory, which means that companies, especially those which are not listed, have the possibility to report without being in total compliance with GRI reporting Standard. The corporations, fully following the GRI Framework, are those who have voluntarily chosen to be

compliant to GRI on a voluntary basis. Consequently, it is available online a database of companies' CSR self-reporting, including those applying its standards or their own reporting, that can be consulted for free ( the Sustainability Disclosure Database<sup>5</sup>). First issued in 1997 in Boston, and further revised till the G4 guidelines in 2013, this reporting Guidelines has been widely recognized as the principal and predominant standard for companies' reporting on corporate social responsibility. G4 has been created to be applicable by all kind of organizations, in different sectors and industry, globally. Furthermore, G4 offers a widely recognized global standard for sustainability information in order to be included in reports.

As regards the information to be conveyed on G4 report, GRI distinguish two types of information:

- the first type belongs to the “*General Standard Disclosures*” category, which includes a general organization description and a summary of the reporting process; these disclosures could vary accordingly to the company's perspectives and objectives.
- the second type is defined “*Specific Standard Disclosures*”, which could be divided into two categories: “Management Approach” (DMA) and Indicators. DMA enables companies to explain how their material economical, environmental and social impacts (called *Aspects*) are managed, providing further information on the approach used and justification for the materiality of *Aspects*. DMA disclosures are basically qualitative, while Indicators are expressed in a quantitative form in order to make companies provide comparable data for their economical, environmental and social performance, and specifically for material *Aspect*.

Companies, with the aim to prove that their reports are in “*accordance*” with the guidelines of GRI, must prove that they have applied the guidelines in a “*core*” or “*comprehensive*” manner. When companies have chosen the “*core*” option, they are required to use at least one indicator for all identified material *Aspects*; under the “*comprehensive*” manner, the firm must report all indicators for all the identified material *Aspects*.<sup>6</sup>

### **International Integrated Reporting Committee (IIRC) – Integrated report (IR)**

The International Integrated Reporting Committee (IIRC) had been issued in order to supervise the creation of a globally accepted International Reporting Framework; it had also role of convener of stakeholders such as regulators (International Federation of Accountants – IFAC), investors, companies, standards-setters and NGOs. Among them, the Global Compact

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<sup>5</sup> <http://database.globalreporting.org/>

<sup>6</sup> [www.conferenceonboard.org](http://www.conferenceonboard.org)

hold a task in the IIRC’s Council, helping in the construction of a solid framework. In 2013, after a wide process of consultation, the IIRC has finally approved the International Integrated Reporting (IR), which has been adopted in some markets by national governments. IR framework’s strong point is the ability to connect financial and non-financial (environmental, social and ethical) information transmitted by companies to the public. This framework collaborates also with Global Compact’s objectives to support globally sustainable management in terms of environmental and social issues, by strengthening managers commitment towards CSR initiatives and reporting. The objective is to integrate financial information and social and environmental disclosures, such to show the value created by businesses by having applied sustainable practices.

As stated in UN Global Compact website, International IR Framework is presented as an important action towards transparency and reliability. *“IR framework can be a step towards universal framework of integrated reporting encompassing financial, natural, and social capital, which the Global Compact views as key to enabling business to contribute effectively to the UN post-2015 development agenda in a context of transparency and accountability”*.

<b>Standards/ Guidelines</b>	<b>Commitment</b>	<b>Type of Organization</b>	<b>Mission</b>	<b>Key Topics</b>
<b>OECD Guidelines for Multinational Enterprises</b>	Voluntary	International (Intergovernmental) Organization	<i>“to promote policies that will improve the economic and social well-being of people around the world”</i>	Environmental, Social and Economic
<b>UN Global Compact Principles</b>	Voluntary	International (Intergovernmental) Organization	<i>“...we aim to mobilize a global movement of sustainable companies and stakeholders to create the world we want”</i>	Environmental, Social and Economic
<b>International Organization for Standardization (ISO) – ISO 26000</b>	Voluntary	<i>Multi-Stakeholder Initiative of ISO(Non-governmental organization)</i>	<i>“...provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society”</i>	Social and Environmental
<b>Global Reporting Initiative (GRI) – GRI Standards</b>	Voluntary	<i>Non-governmental organization</i>	<i>“...to empower decision makers everywhere, through our sustainability standards and multi-stakeholder network, to take action towards a more sustainable economy and world”</i>	Environmental, Social and Economic
<b>International Integrated Reporting Committee (IIRC) – Integrated Reporting</b>	Voluntary	<i>Multi-Stakeholder Initiative (global coalition between regulators, investors, companies, standard setters, the accounting profession and NGOs)</i>	<i>“...to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors”</i>	Environmental, Social and Economic

Figure 2 Personal elaboration

## 1.2.2 Sustainability Reporting

The practice of companies of disclosing sustainability performance has been performed since the start of financial reporting (Marlin and Marlin, 2003 in Tschopp and Nastanski, 2013). However, while financial reporting have developed a rather consistent and standardized reporting with IFRS and GAAP standards, the obstacles found till now in the diffusion of harmonized CSR reporting have been numerous. The concept which stands behind the promotion of harmonization of sustainability reporting is nevertheless important in since its emergence could bring the beneficial result of increasing the comparability of disclosing activities, by reducing the level of variation among users.

In the figure below, adapted from Tschopp and Nastanski, 2013, it is summarized the major steps accomplished in the field of Sustainability reporting.

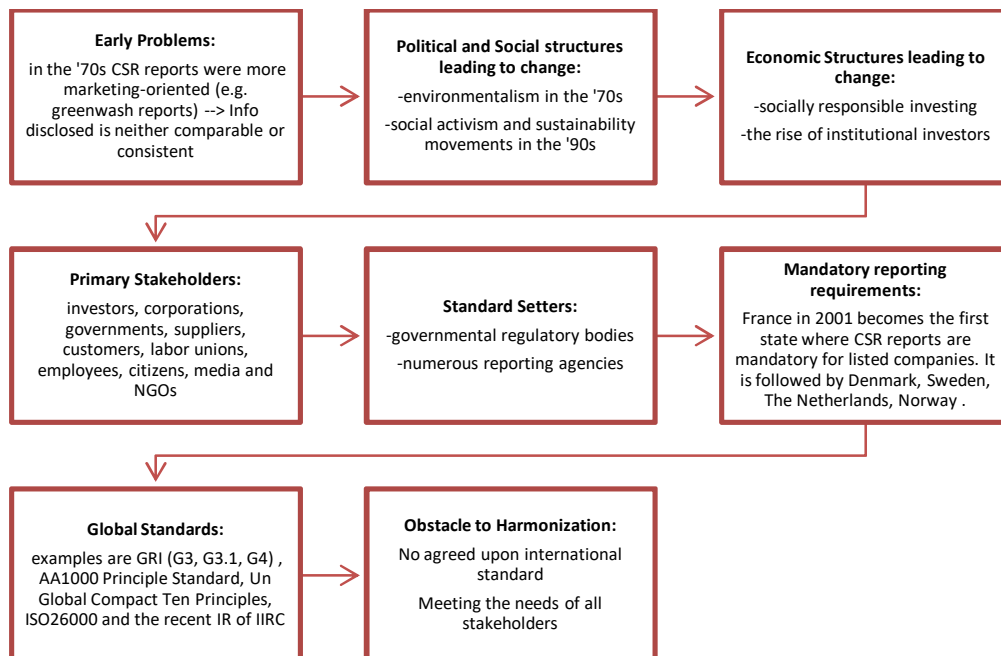


Figure 3 The evolution of reporting, adapted from *Tschopp and Nastanski, 2013*

Nowadays, sustainability reporting has established itself as a rather frequent practice, which is chosen by an incremental number of companies worldwide (as it is possible to infer from the picture below, the number of SR issued are increased considerably).

Interesting are in fact the findings of *KPMG Survey of Corporate Responsibility Reporting* in 2015, in which the audit company shows how “Corporate Responsibility (CR) Reporting” has been increasingly adopted worldwide (their study goes from the second half of 2013 till 2015). In particular, together with the evolution and diffusion of sustainability reporting, GRI, the Global Standard for reporting, has represented the most important player in the development and diffusion of an international guideline for corporate social reporting; its work aspires in fact to set sustainability reporting at the level of financial standards, everywhere recognized and applicable to all industries. Many academics have already sustained and agreed that the GRI standards could be the right candidate to be the preferred common standard, since it addresses industrial and regional differences problems in reporting,

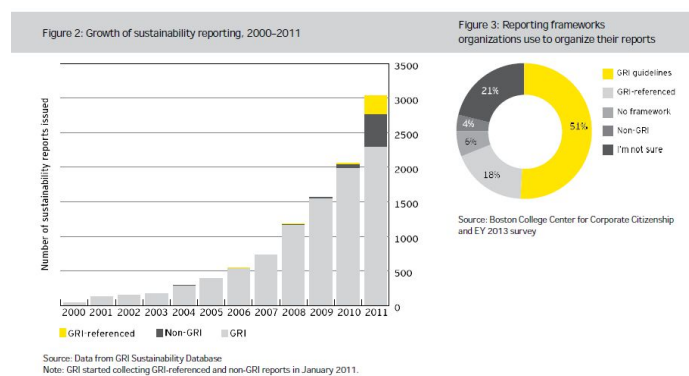


Figure 4 From "Value of Sustainability Reporting - A study of EY and Boston College Center for Corporate Citizenship", 2013

and it basically approaches and safeguards different global stakeholders needs, fostering comparability between resulting reporting in different countries or sectors. (Tschopp, Nastanski, 2013).

Before but even after the establishment of GRI in 1997, companies have dealt with social and environmental reporting in several ways. Although the presence of GRI standards and its purpose of standardization, businesses all over the world have disclosed CSR information, frequently without even referring to any preexisting standard, which consequently did produce a wide variety of reports forms, “with substantial differences in length, approach, scope and depth of accountability” (Kolk, Fortanier, Pinkse, 2011) with different denominations, from “sustainability”, “sustainable development”, “triple bottom line”, “corporate social responsibility”, “corporate responsibility” to “accountability” reports.

Furthermore, among those which refer to a Global standard for their reporting, only a small portion of them actually adopt report on a regular basis and adopt consistently the existing standards.

Consequently, the diffusion of a great variety of reports have contributed to the actual difficulty of comparability and reliability of reports across companies, industries and countries, by hampering the harmonization of the resulting reports.

The lack of a unique and shared definition of the concept of CSR has added further difficulties also in CSR measurement and in the choice of corporations about which information to disclose and how to do it.

CSR reporting is in fact still held voluntary in many countries<sup>7</sup> and the regulation is often missing on the topic: this implies that the choice of reporting about sustainability performance, on one side, and the decision of editing of one type of report with respect to another, on the other side, is often left to business discretion. That's why it is urgent to improve the process of convergence among reporting standards together with the diffusion of legislation on this issue (KPMG, 2015).

Even though GRI has been recognized as one of the preferred standard, as emerged in this paragraph, it is important to cite also other global inter-governmental organizations or multi-stakeholder collaborations which have proposed standards and guidelines with the aim of fostering standardization. For example, among all, we cite the UN Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises, the ILO Conventions, ISO, AccountAbility, and the most recent IIRC. Often, among these standards it exists a cooperation for building a more conventional standard and for CSR reporting (for example, the collaboration between GRI and IIRC).

What most of the reporting standards have in common is that they are written and thought to respond to the *Triple Bottom Line*<sup>8</sup> concept (first introduced and studied by Elkington, 1998), according to which companies should link their own economic strategies with social and environmental objectives.

The interventions of all these CSR Initiatives and their standards are aimed at guaranteeing the long-term functionality of companies in terms of engagement towards sustainability along all the value chain, from suppliers to final consumers (Perrini, Tencati, 2011). The role of CSR Global Standards in the process of harmonization has been also studied and justified by institutional theory.

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<sup>7</sup> As far as CR reporting requirements in different countries and the related rate of CR Reporting are concerned, the countries with the highest rate of Corporate Responsibility Report are countries (UK, India, South Africa, Malaysia, France, Norway, Denmark) where the legislation requires non-financial disclosures about companies' social and environmental impact (KPMG Survey of CR Reporting, 2015)

<sup>8</sup>The name Triple Bottom Line refers to the bottom line of the Income Statement, which should include, beyond the economic result, also the social and ecological one. If a company has interesting and successful results in all three areas (economic, social and ecological), it can obtain competitive advantage against others competitors. Triple bottom line approach permits managers to assess and control how company fulfils its social and economic obligations to all its stakeholders employees, customers, suppliers...); in this perspective, triple bottom line framework is related to stakeholder theory. (Frank T. Rothaermel, 2013)



In conclusion, the diversity of relevant stakeholders<sup>9</sup>, together with the lack of common issues connected to all companies and the lack of precise and agreed quantitative and qualitative measures could represent the major barriers to the implementation of standardized CSR standards. Country of origin cultural, economic and political characteristics could also represent an impediment for the process of standardization.

Actually, it is easily observable that the attempt to converge CSR reporting standards is not as strong as it has been for financial accounting standards (Tschopp, Nastanski, 2013), such that the question of both theoretical and practical significance is whether global standards are overcoming effects of country and industry environments on the different approaches to reporting.

### 1.3 CSR theories

The intent of this section is not to describe in details all the theories in place.

After a general and brief overview of theories, based on the Garriga and Melé's classification, and a brief close-up for Stakeholder Theory and Strategic CSR, the scope of this paragraph is to highlight the role that institutional theory had had in the explanation of the process of harmonization of CSR practices, together with the demonstration of dissimilarities among different countries, all with the role of institutions.

Garriga and Melé (2004) have studied the panorama of theories surrounding CSR, from the sixties till the beginning of 2000s, giving an overview of the past academic debate on CSR. The identified four macro-group of theories are defined basically by the type of relation between business and society:

1. The ***instrumental theories***, all describing CSR initiatives as attempts of companies to achieve profits, by maximizing shareholders value (short-term profit orientation), by achieving competitive advantage (long-term orientation) in the market or by using cause-related marketing (in a reputation building process). The most popular author, representative of this approach is Friedman, who pinpointed in 1970 that "*the only one responsibility of business towards society is the maximization of profits to shareholders within the legal framework and the ethical custom of the country*".

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<sup>9</sup> The evolution of CSR reporting has occurred through a bottom-up learning process: CSR reporting started to diffuse with an increasing demand for social accountability arising from stakeholders, consequent to a greater public awareness of social and environmental issues (Tschopp, Nastanski, 2013). With increasing media coverage, companies have also been called for greater transparency in reporting (Dando and Swift, 2003). Recently, stakeholders have gained even more voice upon social and environmental concerns, asking for more accountability from companies in which they invest.

2. the *political theories*, which emphasize the linkage between companies and politics, which impose them specific social behaviours regulations.
3. the *integrative theories*, which study how “*social demands*” are combined with companies’ core operations, so as to permit the spreading of business behaviour, consistent with social demands.
4. the *ethical theories* in which the ethical aspect (a set of rights and duties) within the relationship between society and companies is the new focus.

### Stakeholder Theory (ST)

In the last decades, *Stakeholder theory* has been recognized as “*arguably the single most influential theory in CSR*” (Crane, Matten and Spence, 2008). Academics and corporations have started to deal with the importance of the role of stakeholders in the management of corporations since the publication of Freeman’s “*Strategic Management: A stakeholder Approach*” in 1984.

According to this school of thought, the nature of CSR could be influenced also by the stakeholder groups to whom a company has to respond *directly* or *indirectly* for its activities.

With the development of this theory, the focus has shifted from the single shareholders needs, (Friedman’s approach) to the larger networks of financial, political, social stakeholders, which are in a whatever relationship with the corporations and that play an important role in pressuring them to act consistently with their expectations.

In fact, Stakeholder theory’s scholars found evidence of the existence of two types of stakeholder group for companies:

- *external* stakeholders (e.g., suppliers, creditors, customers, intermediaries, Government, competitors etc...), which are those parties or groups that are not part of the organization but who can be *indirectly* impacted by its activities;
- *internal* stakeholders (e.g. shareholders, employees, managers...) are those who are part of the organization, whose activities and practices impact *directly* them.

Both external and internal stakeholders are defined by Freeman as those who could influence and at the same time be affected by the achievement of firms’ goals (Freeman, 1984 in Jones et al., 2007). In addition, it is strong the belief that CSR concerns the social expectations that a large group of financial, political and social members have, by pressuring and by directing organizations in their actions and choices.

The process of identification of key stakeholders to the company and the further stakeholder engagement activity are at the basis for stakeholders management

In ST literature, an useful approach for the identification of the core stakeholders of a company has been proposed by R.K Mitchell , B.R. Agle and D.J. Wood in 1997. According to the authors, the identification of types of stakeholders is based on the fact that stakeholders could possess one or more of these three relationship attitudes:

- if they have *power* to influence the firm,
- if they have a *legitimacy* relationship with the firm
- the level of *urgency* of stakeholders claim to the firm<sup>10</sup>.

The resulting groups of stakeholders are those to whom the company must pay attention: the theory goes then further in the recognition of stakeholders salience, “how managers prioritize stakeholders relationship”(Mitchell et al, 1997). Consequently, managers should act respectfully of stakeholders, with respect to the degree of salience that they recognize to them. Those stakeholders who do not match any of these three attributes couldn't be considered stakeholders to the firms, those with only one of this attribute are *latent*. Stakeholders which are definitely salient in each attribute are called *definitive*, while those stakeholders who are moderately salient are defined *expectant*.

## Strategic CSR

In the literature, it has always been present a debate around the possible conflict of reaching economic objectives while pursuing social and environmental performance goals. The attempt to build an integrated CSR strategy could be hampered by the fact that the real costs and benefits of CSR initiatives are not clear at all. What is certain is that an opposite disinterested behaviours towards sustainability could bring economic benefits, but at the same time, it could carry bad consequences in terms of bad reputation.

As suggested by Perrini and Tencati (2011), in the matter of business decisions about CS responsibility, there are mainly two points of view:

- The first perspective sees CSR actions like the mere adoption of norms and requirements by government; going beyond this level of CSR actions could lead the

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<sup>10</sup> A stakeholder has *power* towards the company “to the extent it can gain access to coercive, utilitarian or normative means to impose its will”; power in a relationship isn't a steady point, but transitory. Through the definition of Suchman (1987), legitimacy is a “generalized perceptions or assumption that the actions of an entity are desirable , proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions”. Urgency brings dynamism to the theory, juxtaposed to the attributes of power and legitimacy: it is a “calling for immediate attention” or “pressing” to companies . Urgency is based on *time sensitivity* – when a managerial delay to a stakeholder claim is unacceptable to stakeholder- and on *criticality*- the importance of the claim to stakeholder or the relationship between company and stakeholders. (Mitchell et a., 1997).

company to lose its competitive advantage and to cause damage to shareholders and, in general, to other stakeholders.

- The second view looks at CSR as a set of business initiatives that could positively and strategically contribute to long-term economic benefits and to the overall success of a company, in terms of reputation and trust and in terms of efficiency improvements and technological innovation.

The idea that states behind the second point of view is that, CSR can be more than a cost for companies, a zero-sum game, but “*a source of opportunity, innovation and competitive advantage*” (Porter and Kramer, 2006).

One of the most important contribution to the discussion of *Strategic CSR* is the study of Porter and Kramer. Even if often heavily criticized, the drive for profit has positively impacted on the development of successful solutions for CSR, thought and enacted by companies, to some of the global most challenging problems, in terms of environmental and social issues (Porter and Kramer, 2015).

Not only CSR can be profitable for companies, but CSR could represent an advantage for both society and companies. What the authors suggest is that corporation and society are tied together in a mutual-dependence relationship: what is necessary is to align social and environmental objectives with the economic ones, by converging together the society’s and corporation’s interests using the principle of *Shared Value (SV)*, by going beyond the traditional trade-off. Furthermore, SV perspective does not imply that the already created value by companies is redistributed and/or shared with society (as stated by the authors, it is not a redistribution approach); “*a shared value perspective, instead, focuses on improving growing techniques and strengthening the local cluster of supporting suppliers and others institutions in order to increase farmers efficiency, yields, products quality and sustainability*”(Porter, Kramer, 2011).

In addition, Porter and Kramer identifies two different strategic approaches that companies can adopt towards social issues, which are of three types: *Generic social issues* (not significantly and materially affected by companies operations), *Value Chain social impacts* (significant impacts caused by ordinary course of business operations), *Social Dimension of Competitive Context* (social issues that are embedded in the external environment, outside the company’s sphere, that could affect the competitiveness of the company).

To these three types of social issues (*see figure below*), a company could have:

- a *responsive CSR*: company acts as a good citizen and tries to understand stakeholders’ interests and worries, by mitigating the effects of business activities on them;

- a *strategic CSR*: at this point lies the opportunity to create shared value (“*Strategic CSR involves both inside-out and outside-in dimensions*”); company can obtain a unique position with respect to other competitors, by finding a way to lower the costs and better supporting and serving stakeholders’ needs.

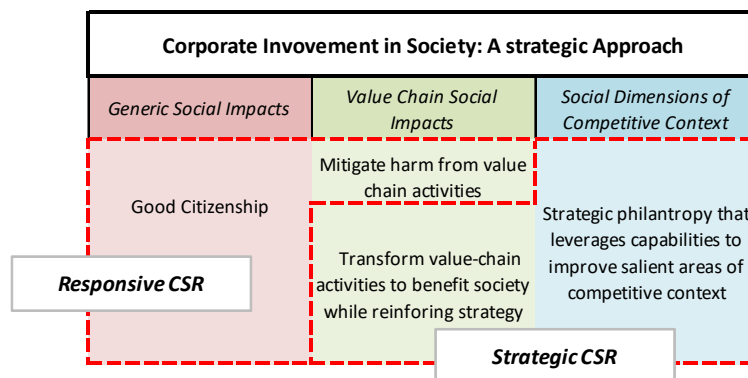


Figure 5 Responsive CSR and Strategic CSR, Porter and Kramer (2006)

### Institutional Theory (IT)

This theory has been able to define and explain the different approaches to CSR undertaken by companies, as regards the private sector, focusing its attention on the role of institutions of different contexts. “*Institutions are... formal or informal rules, regulations, norms and understandings that constrain and enable behaviours*” (Brammer et al., 2012)

The lack of a unique and distinctive definition of CSR is also felt deeply in the discussions about comparative CSR in different institutional contexts: as stated by Brammer et al. (2012), as much as the ‘S’ in CSR differs in terms of societal institutions, we will also end up with different definitions and understandings of the concept.

Institutional Theory has been used by many academics in recent years, as tool to explain the diversity of CSR (Brammer, 2012).:

- in terms of different CSR practices across countries (*diversity*)
- in terms of time and evolution (*dynamics*)

Its purpose, as it is shown by researchers, is to transcend the cases, since the beginning largely discussed by business ethics literature, in which CSR approaches were explained through the individual decision-making of managers, considering CSR as a mere voluntary action.

Institutional Theory is meant to investigate both formal and informal institutions: formal institutions are norms, laws, business association or trade unions, while informal ones are those embracing “*religious norms, customary practices and tribal tradition*” or in general cultures and values. Unfortunately, little has been said about the informal side of the aspect within the institutional theory field. Although this evident contribution to comparative

analysis of CSR, IT has tried to compare perspectives and strategies on CSR regarding basically different corporate governance systems, in different institutional and legal contexts: the cultural dimension has not been emphasized or has been really at the center of the comparative analysis.

One of the most famous research is that of **Matten and Moon**, who gave in 2008 their view and explanation on the different approaches among corporations: well-know are, in fact, their classifications of implicit and explicit CSR, which they have used to define different (not dichotomous) approaches to CSR:

- U.S. has been characterized as the country of *explicit CSR*, the liberal market economy. It is characterized to be based on firm's voluntary and strategic actions; companies consider social issues a fundamental part of their social responsibility towards society. CSR is basically at companies' discretion "*rather than reflecting either governmental authority (...) or formal and informal institution*". Companies explicitly communicate and describe their activities, on a voluntary basis.
- *implicit CSR* was considered peculiar for the European continent, characterized by the presence of coordinated market economies. European companies which apply the implicit CSR concept appear to be more inclined to commit to the codified formal and informal institutions, based on values, norms and rules.

Lately, the authors recognized that in the last years characteristics of explicit CSR approach has spread also to Europe as a management concept (and beyond Europe, to Africa, South America, South and South-East Asia).

This path towards harmonization of practices has been explained with the so called *new institutionalism theory* (with authors like Di Maggio & Powell, Meyer and Rowan).

According to this point of view, a process of global homogenization at institutional level has started to occur among different nations, bringing to a gradual standardization of practices applied by companies of different industries and countries. This has been possible thanks to a process through which the new practices adopted have been legitimated.

Di Maggio and Powell in 1983 identified three key *regulative, normative* and *cognitive* processes of CSR adoption change:

- the *coercive isomorphism*: certain practices are legitimated when they respond to external already codified regulations, including also the previously cited global standards
- the *mimetic processes*: how companies tend to adopt other practices and how they feel legitimated when these are considered as "*best practices*" for the industry they belong to.

- the *normative pressure*: pressures derived from educational and professional authorities like universities or professional associations which influence the study or adoption of CSR.

Another theoretical framework has been further introduced in 2012 by **Kang et al.**, whose scope was to analyze the role of national institutions and the related different types of capitalism towards CSR motivations: in particular, the authors tried to understand “*whether CSR is influenced by corporate governance institutions based on a logics of similarity or contrast*” (Brammer et al, 2012). In other words, it is a further evolution of the discussion previously started by Matten and Moon in order to “*develop a theoretically nuanced understanding of why and how firms’ approach to CSR differs across countries*” (Kang, Moon, 2012). The economic areas taken into consideration in their comparisons of CSR approach are mainly:

- the *coordinated market economies* CMEs (like Germany and Japan)
- the *liberal market economies* LMEs (like USA and UK)
- the *state-led market economies* SLMEs (like France and South Korea).

The authors described the main differences among these three areas (representing different modes of capitalism) in two periods: the first from ‘60s to late ‘90s, while the second from late ‘90s till nowadays.

The authors confirmed that recent changes in the corporate governance institutions have brought companies in coordinated-market economies to approach more market-oriented and competitive forms of CSR, in line with USA and UK characteristics, confirming the result of Matten and Moon. In particular, the development of social auditing and reporting initiatives has been a consequence of the diffusion of market-based activities, typical of liberal market economy.

**Witt and Redding (2011)** also gave their contribution on the topic: they put the accent to the vision of a group of senior managers from several institutional contexts (in five countries) about their CSR implementation (Brammer et al, 2012). They concluded that each executive has different conceptualizations of how firms contribute to society. Differently from Matten and Moon, they highlight the presence of different and numerous variants for implicit and explicit CSR. For example, they find that implicit CSR could be either stakeholder-oriented, like in Japan and South Korea, or production-oriented, as in Germany.

The way in which CSR is influenced by stakeholders participation depends on how the latest is institutionalized.

#### **1.4 Definition of the research question**

The first chapter's main objective has been to introduce the concept of Corporate Social Responsibility (CSR) in a global context and its recent, but rapid, evolution. The difficulty emerged in defining CSR, in a conventional manner, globally accepted and uniformly interpreted, the fact that it is a multidimensional topic, to be contextualized in a globalized "environment", together with its development and diffusion as a mainly voluntary business practice, have shed light on the complexities of dealing with CSR. Furthermore, it is emerged how CSR and its characteristics needs to be contextualized in each setting, characterized by different societal, cultural, normative and political background, because by changing the scenarios, also the perspective and the meanings of CSR could change, even considerably (Aguilera et al., in Crane, Matten and Spence, 2008): when considered this issue in a global perspective, the complexities appear hence clearly evident.

Business inclination towards CSR can be influenced by forces like the interventions of CSR Global Standards, external pressures coming from NGOs (but not solely from these stakeholders) and, at national or regional level, by the regulatory and institutional framework present in each definite context, by the culture present in each country.

The role of CSR Global Standards has been, since the beginning, focused on filling the gap left by regulation vacuum in CSR field, by guiding companies in the application of responsible practices and in the reporting of business sustainable results. Therefore, CSR Global Standards have been useful in the institutionalization process of norms, rules and standardized procedures for CSR. In the recent years, the numerous standards have started to work together in order to align themselves as much as possible to gain a larger degree of Global Standards convergence and to guide companies as much as possible towards a more common and shared implementation of CSR practices in several industries.

This trend has emerged, in particular, in the sustainability reporting field, where the Global Reporting Initiative (GRI), in a tight strategic collaboration with other international organizations, has proposed its GRI Index (the last updated is the G4); GRI has been commonly recognized as the preferred common standard for corporate social reporting, because it aspires to set sustainability reporting at the level of financial reporting by addressing industrial and regional differences and by increasing the comparability between resulting reports.

Although we found there is a striving attempt to standardize and harmonize business CSR practices from an institutional perspective, through the study of the more recent literature



about these issues, it appeared that dissimilarities are still in place; in particular, it emerged how the apparel industry has a lot to work in the sustainability reporting.

It is Institutional Theory (IT), among all the theories cited above, the theory that have tried to explain differences in CSR approaches between countries: the decisive influential factor is the institutional framework, which is able to shape stakeholders expectations and business actions. The theory explained also the role that the diffusion of CSR global standards should bring to harmonization.

The analysis of CSR in different countries held by institutional theorists has been useful and it has contributed to the comparative study of CSR. Even though Institutional theory treats the cultural context of a country as an influential factor in the diffusion of peculiar CSR approaches the investigation completed by IT has not really deepened the role of culture towards CSR communication, or, in a general perspective, towards CSR approaches, since it basically focused on the function of institutions.

Due to the conclusions deduced in this first chapter and briefly just hereby reported, the interesting purpose of this research is to analyze if there is still evidence for dissimilarities in the sustainability reporting, in the apparel/footwear industry.

In particular, it is interesting the investigation of the role of the cultural context of a country in shaping the business communication of CSR to corporate stakeholders, in three different countries (United States of America, Germany and Japan), belonging to three continents (North America, Europe and Asia).

The Sustainability Report is the corporate communication tool chosen as object of the analysis, which is mainly addressed to the examination of the impact of national culture on content and communication type: the cultural characteristics will be taken from the research of Hofstede. GRI Guidelines support and address corporations towards CSR reporting, by providing them with instruments like the recent G4 standard, issued in 2013, that facilitates their disclosing work. It is noteworthy to remember that the appliance of GRI standard remains a voluntary decision of companies.

The choice to examine the relationship between culture and CSR in different countries through the instrument of Sustainability Report has surely emerged:

- after the recent attempt, conducted by Global Initiatives and other Global Standards, to reach a CSR practice and disclosures harmonization, supported by studies of Institutional Theory, conscious of the strong complexities arising from the frequent divergent interpretations of CSR and the voluntary propensity for CSR implementation and reporting about sustainability. In particular, the multi-stakeholder initiative Global Reporting Initiative (GRI) is contributing to this process thanks to its

worldwide recognized standard for Sustainability Reporting, but it is not the unique Global standard taken into consideration for companies. By taking three global leaders in the footwear industry, as Nike Inc., Adidas Group and Asics are, which have years of sustainability practice behind, we will try to understand if the level of harmonization of practices is converging or not.

- Because of the lacking consideration of culture in the comparative analysis of IT, which has mainly analyzed the formal institutions, leaving behind the role of culture in CSR.
- *“In a globalised and networked world economy, it could be expected that managers address sustainability challenges similarly, regardless of country-specific characteristics. Alternatively, it could be argued that the degree of engagement for sustainable development varies according to country-specific historical and cultural backgrounds as well as in the resulting environmental, social and economic conditions”* (Harms et al., 2014).

A more deepened study is therefore needed to assess if there is a certain relation between cultural values of a nation and differences in sustainability approaches (regarding reporting and generally speaking, corporate strategies).

As to support the advancement of the project, it is necessary to deepen the topic of national and the cultural characteristics that U.S, Germany and Japan have, according to academics. It will be also introduced a brief description of CSR in each country.

## CHAPTER 2

### 2 CSR and National Culture

If we see CSR under the logic of a mainly voluntary initiative, the assertion that corporate social responsible initiatives can be undertaken differently by companies, depending on the country to which they belong and to the reference cultural environment, arises spontaneously. As a matter of fact, in the current era of global economy, it is clearly observable that the presence of economic, political and cultural differences have a strong impact and consequently influence business and managers' behaviours in different countries and regions (Wotruba in Vitell and Paolillo, 2004). Every country has its own core cultural characteristics that differentiate it from those of other cultures. *“Different cultures will emphasize different values; what is important to one culture at one time may not be important to another culture or even to the first culture at some time in the future. These values may affect both the role institutions assume within society and what society expects from those institutions”* (Burton et al., 2000 in Galbreath, 2006).

Even when organizational performance and managerial decision-making towards CSR issues are concerned, there still exist evident differences, which are not yet entirely exceeded, despite a recent attempt of CSR standards harmonization (at global level, for example, the establishment of international institutions like OECD, Global Compact etc...) and *“despite some evidence that globalization results in the homogenization of corporate practices and human values across societies”* (Perry, 2012). Divergences are undeniable, above all, when we go from country to country and sometimes even from region to region in a specified nation: multinational companies can find themselves to operate in several countries, where the economic, legal or cultural systems are in contrast and incompatible with the country-of-origins policies, so that they have to deal with contrasts, which could arise from opposing ethical perspectives. On the other hand, cultural differences among partners from different countries, when complementary, could be favorable, since they generate synergies, from which business can benefit (Shenkar and Mattson in Perry, 2012). Every culture encloses enduring and *“resistant to change”* values, norms and common beliefs to which associated communities are strictly devoted: these existing values have an impact on CSR implementation (Perry, 2012). National culture's effect on managerial decision-making is an indisputable fact: different national cultures are predictors of community mentalities, which directly impact on business decisions, type of communication, behaviors and strategies

implementation about CSR (Namporn Thanetsunthorn, 2012). Organizational culture stands and originates right after national culture and “it is a determinant of organizational performance and CSR approach”(Übius and Alas, 2009 in Perry, 2012). Applied to an example, within a specified country, a group of companies will share the same national values, but they could develop different corporate cultures.

We will start focusing on national culture, defining the core concept, setting the different methods which have been developed to measure it in different countries, and presenting the past empirical studies which outline the link between CSR and national culture. Further, national culture of three countries, which are United States, Germany and Japan will be discussed: since every country is characterized by different cultural backgrounds, as demonstrated by several authors, like Hofstede, we want to investigate the influence which culture may have on the inclination towards CSR communication of companies located in these countries. In this study, we will assume that organizational culture of companies, composing the sample of our analysis, is directly and massively influenced by national culture, which plays the decisive role in shaping societal behaviours in a defined environment. According to this premise, this chapter is developed principally through the study of national culture.

## **2.1 National Culture**

The broad topic of culture has been studied by many, like scholars, anthropologists and sociologists: for example, organizational theory has put culture as the most commonly researched subject matter. At the center of these studies, we usually find considerations about culture and its relation with countries and their economic development, geographic setting, historical background and values, embedded in their societies.

The definition of “national”<sup>11</sup> culture involves a set of beliefs, values, norms and customs, learnt and internalized since the childhood, which characterizes and differentiates one group of people from the other and that is usually static in the course of time. With the words of Hofstede (1991), culture is “*software of the mind*”. According to Calza et al. (2016), national culture could be described as a country’s shared practices and values; values are interpreted like “*conceptions of the desirable, and guide the way social actors (e.g. organizational leaders, policy makers, individual persons) select actions, and evaluate people and events*”.

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<sup>11</sup> Using the term national with culture could be restrictive and constraining to nations, but we can say that the common notion of culture applies better to societies rather than to nations (Hofstede, 1994). Some critics of Hofstede’s model observed that is reductive to consider national culture at level of countries: many countries have within their territory remarkable differences among people in terms of religion and ethnicity, such that it is improper to consider the whole as national culture (Perry, 2012).

In this field of study, many theorists questioned also the definitions and related differences between national and organizational culture, which we consider, in this context, as two different cultural aspects, as they belong to different levels of considerations. With reference to this issue, some researchers have in fact a long debated about the role of national culture in shaping the organizational culture. On one hand, institutional theorists explain this link through the institutional isomorphism<sup>12</sup>, asserting that national culture has a strong impact and influence in organizational culture; on the other, organizational theorists or resource-based view<sup>13</sup> scholars strive to prove the capability of organizations to develop their own cultures, which are independently built from national culture (Lee, Kramer, 2015). To the latter, the idea that national culture can restrain organizational culture has been overestimated by other analysts of the first group, which considered “differences in national cultures call for differences in management practice” (Newman and Nollen, 1996). Hofstede is one of the theorists who stands for the “*cultural relativity of organizations theory*” (1983), just citing the title of one of his writings. Since culture reflects a “*collective programming of the mind which distinguishes one group or category of people from another*”, Hofstede asserts that culture should be analyzed “*at level of collectivities*”, rather than deducing its characteristics solely from the individuals behaviours (Hofstede, 1993)<sup>14</sup>. The author affirms how studying culture is a multilevel research, which underlines the need to separate national from organizational culture studies. In addition, Hofstede thinks that using a common term for both could represent a reason for misconceiving the difference between these two concepts. The authors argues that “*this difference between the two types of culture is the secret of the existence of multinational corporations that employ...employees with extremely different national cultural values. What keeps them together is a corporate culture based on common practices*” (Hofstede, 1993).

Organizational culture is defined as “*shared perceptions, patterns of beliefs, symbols, rites and rituals, and myths...which evolve over time and function as the glue that holds the organization together*” (Zamanou and Glaser, 1994 in Moan, Lindgreen and Swaen, 2010). Each organization is characterized by its own cultural background: organizational culture guides the use of certain practices against others, it creates shared beliefs in which people

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<sup>12</sup> As regards institutional isomorphism see chapter 2

<sup>13</sup> Resource-based view is a model that sees resources as key to superior firm performance and to obtain strategic competitive advantage (Rothaermel, 2011)

<sup>14</sup>With reference to this issue and clearly criticizing American management, Hofstede writes “Culture can be compared to a forest, while individuals are tree. A forest is not just a bunch of trees: it is a symbiosis of different trees, bushes, plants, insects, animals and micro-organisms, and we miss the essence of the forest if we only describe its most typical trees. In the same way, a culture cannot be satisfactorily described in terms of the characteristics of a typical individual”. (Hofstede, 1993)

belonging to the organization support (by arising a sense of identity among members) and it permits the development and respect of internal rules/norms and finally it creates a greater commitment to organizational purposes. With the words of Ledimo (2013), “*organizational culture is to an organization what personality is to an individual*”. Moreover, this set of values and beliefs that characterizes each organizational culture is often unwritten and it represents a non-verbalized behaviour; in addition, it changes more easily than national culture, which, on the contrary, is quite fixed over time.

## **2.2 A framework for defining National Culture: *Hofstede’s cultural dimensions***

The cross-cultural empirical studies that have been elaborated to examine cultural influence on CSR are basically constructed upon two well-known frameworks: Hofstede’s and Global Leadership and Organizational Behavior Effectiveness (GLOBE)<sup>15</sup>’s cultural dimensions. While using different frameworks, all authors’ objective is to prove that different sets of values, beliefs, attitude and moral, deep-seated in every culture, could influence people belonging to particular societies on their choices and actions.

Geert Hofstede represents a milestone in the investigation of culture-management relationship and the focus will be set only on his cultural dimensions; before Hofstede’s studies, in the ‘50s, there was, in fact, a common belief according to which the management of organizations was seen as universally equivalent, at least, in the areas of USA and in Europe (Hofstede, 1986). Hofstede has been the first who conducted an empirical model which introduced the well-known cultural dimensions of national culture. He studied national culture and proposed cultural dimensions through an empirical analysis conducted in 53 countries, collecting data from 116.000 respondents from IBM. Thanks to this contribution, many scholars used and still continue to use his framework for the analysis of cultural influence on international topics like communication, economics and cooperation. He further developed a model for organizational cultures.

Currently, we count *six* Hofstede’s cultural dimensions (*see figure below*), which are quite independent one to the other. These dimensions allow us to ascribe cultural differences between countries; furthermore, this framework permits scholars to study society and make predictions about behaviours and processes characterizing each society, like, for example, the management processes used in different contexts (Hofstede, 1993).

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<sup>15</sup>“GLOBE is an organization dedicated to the international study of the relationships among societal culture, leadership and organizational practices”. It started to work “with more than 200 researchers from 62 countries studying more than 17,000 mid-level managers. In the latest 2014 study, more than 70 researchers collected data from over 100 CEOs and 5,000 senior executives in corporations in a variety of industries in 24 countries” (<http://globe.bus.sfu.ca/>)

Each culture is rated with a score, which has to be interpreted always in comparison with other cultures' rates; in addition, cultural dimensions are the picture of a country and they should not be seen at individual level.

<i>Power Distance</i>	<ul style="list-style-type: none"> <li>• extent to which having power distributed unequally is accepted and justified by the less powerful members in a group/organizations or institution</li> </ul>
<i>Individualism vs Collectivism</i>	<ul style="list-style-type: none"> <li>• degree to which a person in a group/organization or institution feels herself independent or interdependent as member. It refers to the ties between people within a community</li> </ul>
<i>Masculinity vs Femininity</i>	<ul style="list-style-type: none"> <li>• the extent to which the use of force is accepted; it refers to the expected emotional gender roles. From one side, there is the assertive masculine pole and to the other there is the modest feminine pole</li> </ul>
<i>Uncertainty Avoidance</i>	<ul style="list-style-type: none"> <li>• the extent to which uncertainty is tolerated in a society: cultures characterized to have a high index of uncertainty avoidance, try to minimize the occurrence of uncertain situations and unexpected events</li> </ul>
<i>Long term orientation vs Short term orientation</i>	<ul style="list-style-type: none"> <li>• the extent to which a culture is oriented towards a short-term future or have long-term perspectives (with saving, persistence)</li> </ul>
<i>Indulgence vs Restraint</i>	<ul style="list-style-type: none"> <li>• new dimension, recently introduced. It deals with the extent to which doing impulsively and freely what is desired represents a good behaviour (an indulgent culture). The opposite occurs in a restrained culture where the keywords are duty and social norms restrictions</li> </ul>

Figure 6 *Cultural Dimensions of Hofstede*, Hofstede, personal elaboration

### *POWER DISTANCE cultural dimension*

The power distance dimension is mostly related to the work place environment, in particular to its organization and management. In *high* power distance countries people usually accept that there exists a hierarchical organization, which clearly sets the position of each individual within the society and which is not questioned by the collectivity. Minorities that usually do not have equal rights and opportunities within society are people like women or the elderly. In addition, in these cultures inequalities are accepted, the power is centralized and subordinates usually act by doing what is requested by their superiors. Within companies in *high* power distance cultures, it is possible to find employees and workers with absent or minimum level of personal or professional development. Furthermore, at a operative level, “companies place more emphasis on formal methods of gathering and analyzing external information (Flynn and Saladin, 2006 in Lee and Herold, 2016).

On the other hand, *low* power distance countries present people who struggle to achieve power equalization, since inequalities aren't accepted. Within society, roles aren't fixed and can change overtime; people, who play the role of superior, behave to create order, not to give orders.

#### *INDIVIDUALISM vs COLLECTIVISM cultural dimension*

*Individualistic* countries are usually putting emphasis on the individual identity over the group identity; people focus on personal achievements and think in terms of "I" perspective: people think about their own interests and of their immediate relatives. The individual wealth is therefore more important than the group needs. On the contrary, *collectivistic* countries focus on the "we" identity, putting the group interests and needs first, by fostering harmony. They are "*integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty*" (Hofstede et al., 2010). Competition in *collectivistic* societies is among groups, while in *individualistic* cultures is among individuals. Hofstede gives also further information about this dimension in terms of communication type: he affirms that *collectivistic* societies use "*high context communication*" culture, where the communication is short, pictures are preferred than words since it appears that things are obvious and don't need further explications; *individualistic* societies are indeed approaching to a "*low context communication*", which is based on more discursive communication and people prefer to use more words and texts, things have to be expressed explicitly.

#### *MASCULINITY vs FEMININITY cultural dimension*

*Masculine* societies usually value more assertiveness, performance, power and enhancement of the individual through material reward for success. Usually, this type of societies is characterized to be competitive. In addition, these cultures are usually those which are economically successful, like, suggested by Hofstede, US, Germany and Japan. Feminine cultures, on the other hand, care mostly for quality of life, cooperation, caring for people who are in weaker position in the society, like the elderly part of the population and the type of society is more "*consensus-oriented*" (Lee and Herold, 2016). Feminine societies are usually those of countries where there is "*smaller populations, less economic scale and/or a strong collective culture and high welfare value (for example, Scandinavia, France and Thailand)*" (Lee and Herold, 2016).



In a work environment, within feminine societies information is widely used to support decision making, while for masculine societies the information is used depending on “*the expected gains over competitors*” (Lee and Herold, 2016).

#### *UNCERTAINTY AVOIDANCE cultural dimension*

Cultures with a *high* score in uncertainty avoidance tend to control the future by using for example fixed “*codes of behaviour*” since they feel uncomfortable and threatened by uncertain, ambiguous and unknown situations.

According to Hofstede, in fact, a *high* score in this cultural dimension for a country means that its businesses are managed as to reduce every kind of uncertainty, which is seen as a risk, by relying on rules and well-defined codes of conduct (Flynn and Saladin, 2006 in Lee and Herold, 2016).

On the contrary, countries with a *low* score in this dimension tend to have a more “*relaxed attitude in which practices counts more than principles*” (Hofstede, 2015) and they are societies which “dislike” formal rules (Lee and Herold, 2016).

#### *LONG-TERM vs SHORT-TERM ORIENTATION cultural dimension*

*Long-term* oriented cultures present people who demonstrate perseverance and deep commitment to achieve results, even if they become tangible in a future perspective: typical values of these societies are persistence, perseverance and saving. People tend to think that there isn't an universal truth but that truth may depend on the situation, context and time (Lee and Herold, 2016). They can also adapt traditions to changing conditions. These cultures have, especially within an organization perspective, a “forward looking” intention. “Businesses in long-term oriented cultures are accustomed to working toward building up strong positions in their markets; they do not expect immediate results” (Hofstede and Hofstede, 2001 in Lee and Herold, 2016).

On the contrary, *short term* oriented cultures stand for fostering virtues and values related to past and present. Short-term oriented cultures are usually striving to find and give the “absolute truth” and are inclined towards a “normative” way of thinking.

People tend to focus on achieving short-term, immediate and instant returns, at expense of future results: in fact, in people belonging to these cultures usually there isn't a deep-seated propensity for saving for the future (Lee and Herold, 2016). They are usually respectful of traditions.

## *INDULGENCE vs RESTRAINT cultural dimension*

The new dimension introduced in the recent years deals with the feelings of subjective happiness or unhappiness and the control of people's owned life. The data collected from a world value survey in the period 1995-2004 from 93 countries. Indulgent cultures have less rigid social norms, which enables "free gratification of basic and human needs and desires" (Hofstede, 2010). In these countries, there is less moral discipline, higher optimism and people who independently takeover the control of their lives. On the contrary, restraint cultures make people think that what happens to them is not their own doing, they feel more pessimistic and they have a cynical attitude.

### **2.3 United States, Germany and Japan: cultural backgrounds**

Hofstede's scores, which are viable in a simplified manner on his website, are calculated to fit a scale of 0-100: 50 is considered as a mid level, where scores under 50 are relatively low, while scores over 50 express high level of one specific cultural dimension. These countries have been studied also by Globe's Project, which provides two different scores, depending on which aspect is taken into analysis (practices or values). The societal-level values are driver of business values, meaning those developed internally by the organizations, while practices are usually those impacting on business activities and communication.

Before reading and interpreting scores, it is useful to remember that all cultural scores are results of a comparative study among different clusters: it is always fundamental to see and understand cultures on a comparative basis. For each country a brief introduction about CSR tradition will be presented.

#### **2.3.1 The U.S. cultural context**

The United States are usually considered part of the so called Anglo cluster, as proposed by Globe, which includes other countries sharing languages and general values

Hofstede provides us with his results obtained from the analysis of United States, by using the model of six cultural dimensions. The results obtained are clearly referring to a general tendency of the country, while some peculiarity is still recognized among regions. Data are taken from Hofstede's website<sup>16</sup>. Reading the results, it is clearly observable how American culture is characterized by a low score at *power distance dimension* (around 40),

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<sup>16</sup> <https://geert-hofstede.com/united-states.html>, consulted 6<sup>th</sup> of February 2017

while it shows a particularly high rate (91) on the *individualism cultural dimension* (United States represent one of the most individualist cultures worldwide). Hofstede suggests to interpret these at a first glance contradictory outcomes in combination. Power distance indicates how a definite culture, through the actions of institutions and organizations, treats and respond to power inequalities: a low score on this dimension for USA is the reflection of its continuous and explicit search for freedom and equality for all members of society (“liberty and justice for all”). At the same time, a low score on this aspect is observable through the use that American organizations make of hierarchy, typically adopted for convenience: the relationship between managers and employees isn’t meant to be strictly hierarchical, but, on the contrary, managers are quite accessible and are open to collaboration and frequent communication with their subordinates. In sum, communication among members of an organization is informal, direct and participative. As regards the individualism versus collectivism cultural dimension, which expresses the “degree of interdependence that a society maintains among its members”, USA is characterized to be a really individualistic culture: rather, society expects that every individual looks at her/his self and relatives’ needs, without even pretending help and support from national authorities.

Focusing on *Masculinity versus Femininity* culture’s ranking, United States present 62 as score, rather above the mid level rate: a masculine culture usually corresponds to a society interested in pursuing targets like winning competition and being successful, at a disadvantage of other societal members. When a high level of individualism is combined with a rather high level of masculinity, as in this case, the result is a society where people run after individual success in every aspect of life, at work or in a class at school, by striving to become the best among others. Fundamental part of this high score is the necessity to show openly one’s achievements and renovated status quo, whose communication to others become itself a stimulus to pursue success; proving one’s results is made even easier by the American assessment system which usually evaluate people depending on the attainment of settled targets.

Below average (about 46) is the score regarding the *Uncertainty Avoidance* which, in particular, deals with the management of uncertainty of the future: Americans usually accept fairly and without too much anxiety innovation and change. Even with this ranking, Hofstede recalls that the facts of 9/11 had brought a lot of worry and concern, by inducing government to monitor people’s lives.

The lowest score has been registered in the *Long Term Orientation dimension*, which stops around 26. This dimension express how much a definite society maintains links with its past and origins while dealing with trials of daily life and future. Recording a low score in this

dimension implies that American society, typically a normative society, tends to prefer “time-honored” traditions and norms and see societal change with suspicion. Americans do have clear ideas of the good (respect of human rights, freedom) and the evil (drugs, euthanasia), derived by their enduring beliefs from the past. Hofstede reported as an example the turnout of people to churches, which have been increasing, opposing tendency with respect to other societies worldwide. In addition, this low ranking is surely linked with the fact that Americans act to reach short-term objectives, precisely in terms of profit pursue in quarterly basis.

As regards the new dimension introduced recently by Hofstede, USA registers a rather high (68) score on **Indulgence**: this dimension measures how much people try to control desire and impulses within society. Indulgence is when there is a rather feeble domination of impulses. With reference to this country, Hofstede recognizes that the association of high indulgence score and a low ranking in long term orientation brings contrasting results: America is certainly struggling against drugs but it still remains one among the majority of countries with the highest drugs addiction problems.

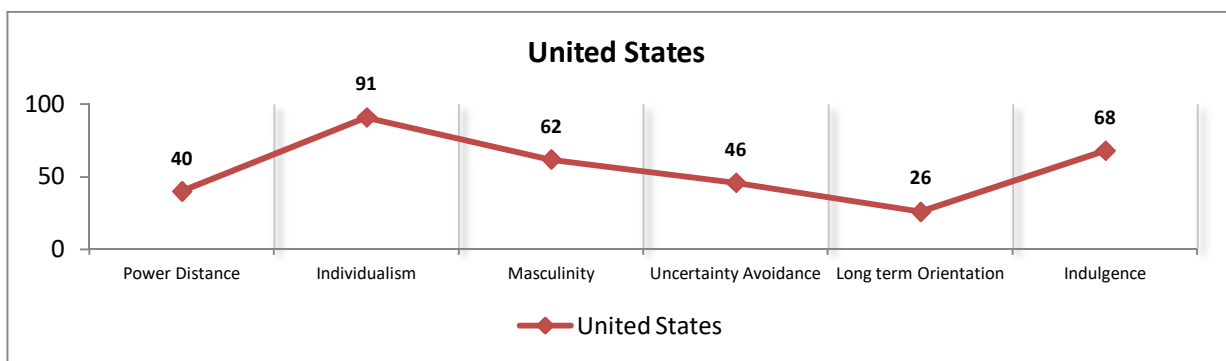


Figure 7 United States scores of cultural dimensions by Hofstede

## USA and CSR

According to some, the concept of Corporate Social Responsibility as we know it nowadays with the acronym of CSR has spread from United States of America, the native land, towards all other countries worldwide. As already stated in the first pages, the publication of “*Social Responsibility of the Businessman* (1953) by H.R. Bowen has been recognized, in particular, as a significant step in the formulation of the concept.

Theoretical discussions spread in the territory of United States, in particular, during the second half of the twentieth century, due to the increasing awareness of business activities’ impact on the society at large. Starting from the ‘50s with the first notations about these issues, whose dissertations brought, in the ‘60s, consumers and companies to be much more informed and attentive with respect to the world of social responsibility. It’s from the ‘70s that companies began to respond to public request for CSR and further in the ‘80s businesses gradually shifted their attention and they focused on their stakeholders’ need, a trend that has

protracted till today and that still continues nowadays. In the recent decades, the concept of CSR has been strongly consolidated as business strategy, drawing most of academics' interests: commitment to CSR brings brand enhancement and good reputation, while social irresponsibility puts companies under a bad light (Becker-Olsen et al.,2011).

When American corporations address an issue like CSR or, in general terms, sustainability, they usually approach concerns like “long-term profitability”, “management oversight” and irresponsibility and “compensation issues”. In addition, according to Hartman et al. (2007) not much of total corporate investments is allocated to solve environmental problems and the funding received is basically aimed at managing “corporate governance issues, working conditions and benefits” (Ascolese, 2003 in Hartman et al., 2007); in comparison, European companies are more inclined towards environmental problems and they can receive more funding than in the USA, as regards their planned actions for environmental sustainability (Hartman et al., 2007). It is not surprising that American and European systems are often juxtaposed: in many academic researches, American characteristics of CSR have been almost studied and further described by comparing them with European peculiarities. In particular, the CSR disclosures and practices in America, differently from other countries, is typically following a voluntary approach.

In the American continent, the birthplace for CSR's language and practice, the typical unregulated market in labor and capital issues entails a CSR founded on safeguarding education, healthcare and community. (Crane et al.,2008 )

### **2.3.2 The German cultural context**

Information that we can infer from Hofstede's study, viable on his website.

What we can easily observe from the graph below, starting from left side, is that Germany presents a relative low score of 35 in **Power Distance** dimension. It is consequently one of the country with the lower score in this dimension: it implies that society in Germany is made up by a solid middle class and it is highly decentralized. At a corporate level, the communication is direct and fosters participation from all members of a team, who are invited to share their opinions. Leadership is accepted when it is challenged to show expertise. In a national culture, like German, characterized by a low score on power distance, inequality isn't accepted and it is struggled by society. Furthermore, roles aren't fixed, but they can vary overtime; superiors exist to bring order but their positions aren't fixed.

As regards **Individualism** dimension, the score is around 67, which makes it rather high, with respect to a medium range: Germans are quite individualist and they usually develop strict and deep relationship with family and close relatives. Loyalty is defined by the personal preference for people, together with a sense of duty and responsibility. This is quite visible in the relationship between employer and employee. As emerged from the previous dimension, communication is direct, the honesty of people in society comes first than other things: as written by Hofstede in his website, the appropriate sentence to use in order to describe the sense of honesty of this culture is “honest, even if it hurts”. As stated by Hofstede, the individualist cultures usually are defined as “high context communication” cultures: this implies that people belonging to these cultures tend to act like everything must be specified. As a result, individualist cultures are often inclined to write in details as much as possible, rather than use simple images.

Germany is typically corresponding to a masculine culture, seen its 66 score on **Masculinity dimension**: being a masculine society, Germany considers and values performance as a fundamental factor, when judging people. This is visible, above all, from the fact that children in the middle school are divided in different schools depending on the way they perform at school. It is interesting to notice how people strive to reach success, and live in order to work, which gives them bigger self-esteem (from every task obtained and completed). From a managerial perspective, people, who cover higher positions in corporations, have to be decisive and assertive. In working environment, Germans can better reach their goals like personal enrichment, which enables the reach of a certain status quo (buying expensive cars, big houses or luxury stuff), which is often shown. As affirmed by Hofstede, countries with a high score in this dimension usually are defined as cultures with a low inclination towards poor people, in terms of percentage of budget allocated. Furthermore, it is emerged how these cultures tend to be more inclined towards “fact gathering” rather than “relationship building” in a social media context.

German’s scores (65) in **Uncertainty Avoidance** dimension is rather high for basically two reasons: from one side, this is coming from the philosophical heritage of Kant, Hegel and Fichte which has influenced people thinking (also in terms of planning) as a deductive thinking, rather than inductive; from the other, German law system has impacted on this score. As a matter of fact, Germans appreciate the level of details furnished by the law, because it brings certainty.

**Long term orientation** score is quite high (83) and it positions German culture just below Japan, one of the culture with the higher score in this dimension: German culture shows how Germans are pragmatic people, who can adapt their own traditions to changed conditions,

with a strong propensity to save and invest with a persistent effort in reaching desired results. Long-term orientation cultures are usually those more inclined towards the future and values like persistence and perseverance. They believe that truth depends on time, context and the situation: what is good and what is evil doesn't change overtime and norms are always applied no matter the circumstances. In addition, these types of cultures usually think that problems should be solves: solutions are commonsense and should be found in the middle way.

With respect to the new dimension, *Indulgence* dimension, Germany's got a really low point (40): its seems that social norms influence and restrict German behaviours, by reducing at minimum leisure time and self gratification, they usually are not listening to personal impulses.

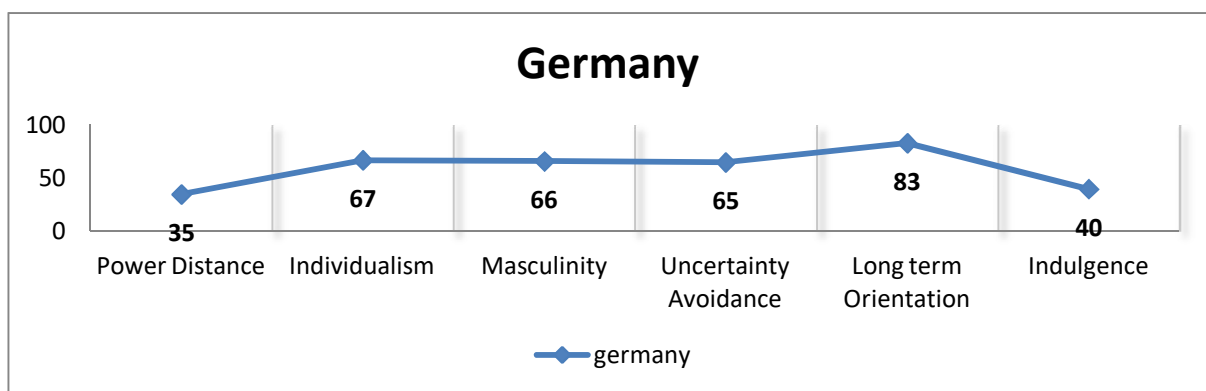


Figure 8 German cultural dimension scores by Hofstede

### Germany and CSR

The diffusion of CSR throughout Germany hasn't been just influenced by the recent European initiatives and the strategy used for the diffusion of CSR in all the European territory.

At the same time, also the historical European context has played an important role in the diffusion of CSR: it is necessary to go back to the period of industrialization in Europe, when the idea that companies have responsibilities towards the external environment has found its inception. Further philosophers, philanthropists and other researchers studied and shaped this thinking (Segal, 2003 in Antal et al., 2010). Before the end of the nineteenth century and the introduction by the government of social benefits, companies had the role to assure welfare of their employees, family and community at large. Since the beginnings, companies had fulfilled the important function of guarantee to society: for ethical and religious beliefs, but also in order to control and reduce possible grievances and revolts, by increasing loyalty and full commitment to companies (Antal et al., 2010). As regards the aspect of initial social regulation, what is clearly visible from German background is the peculiar characteristic of

codetermination<sup>17</sup> (“*Mitbestimmung*”) at corporate level: people in German society had always had the tendency to solve problems and conflicts with commonsense, in the most well-disposed manner possible and by preserving relationship with the values of trust and faith. With the evolution of CSR concept in Germany, some aspects regarding CSR have been mandated by law, while others remain linked with the concept of codetermination.

It is interesting to notice also the significance that the word “social” has for German culture: in fact, social refers basically to the community of employees, while for the Anglo-Saxon context, the terms deal with the community where companies operate. It is intrinsic in the German tradition, the role of associations of workers and trade unions, which strives for maintain or improve working conditions.

The concept of CSR first entered in Germany in the ‘70s, thanks to some German academics who exported the concept from US, where they had studied by applying the concept to German companies. In those times, German corporations had been quite attentive, especially towards environmental topics and, influenced by the Anglo-Saxon tradition, they started to put large effort towards shareholders. Almost twenty years ago, after a period of declined interest, research and discourse on business ethics and practices, fundamental has been the role of Europe: from the beginnings, the European strategy has striven to write series of documents aimed at driving countries in the development of homogenous application of CSR. The introduction of the *Green Paper* in 2001 and the *White Paper* in 2002 represents the first steps adopted by the European Commission (EC) for the promotion of Sustainability. The definition of CSR given by European Commission in 2001 was that of being “*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*”(Green Paper cited in Crane et al., 2008).

In the last decade, it easily emerges how the European Commission especially supports in fact the development of CSR policies at National, regional and local level: in fact, the EC give also to local communities the opportunity to benefit from the European structural funds to boost initiatives and companies’ practical actions, consistently with its guidelines. Even though European pressures to CSR, according to some theorists, like Robert Schuman (2013), Germany has still some road ahead for the development of business practices in CSR.

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<sup>17</sup> “Codetermination is deeply rooted in the tradition of German corporate governance and has existed in its current form since the Codetermination Act of 1976. It has an explicit social dimension: as the [German Constitutional Court](#) ruled, codetermination on the company level is meant to introduce equal participation of shareholders and employees in a firm’s decision making and shall complement the economic legitimacy of a firm’s management with a social one. Codetermination is therefore about a democratic decision making process at the firm level and the equality of capital and work” <http://bruegel.org/2016/10/codetermination-in-germany-a-role-model-for-the-uk-and-the-us/>



However, it is interesting to cite some of the national initiatives of the recent years: for example, it is noteworthy the establishment of a national website called “CSR in Germany<sup>18</sup>”, in which CSR is explained in terms of benefits for companies and policies undertaken by Germany and at European/global level are presented; a fundamental role is fulfilled also by the Ministry of Environment (BMU), an organization helping the development of general sustainability management; National CSR Forum, launched by the labour Ministry in 2009 and composed by 41 high ranking experts in the private sector, trade unions, NGOs, academia and representatives of the Federal Ministries, has the principal scope of developing national CSR strategy and elaborating recommendations on specific issues.

As regards sustainability reporting, Germany has also developed the Sustainability Code, a framework for non-financial reporting, which followed the requirement set forth in the Eu Directive 2014/95 EU and that will enter into force as of 2017<sup>19</sup>.

### 2.3.3 The Japanese cultural context

The graph below represents the picture given by Hofstede’s studies about the Japanese cultural characteristics with respect to six cultural dimensions.

As regards *Power Distance* dimension, Japan positions itself at an intermediate level of 54, just little above the medium level of 50. Usually foreigners in Tokyo, who experienced working with Japanese, expect Japan to be classified as an even more hierarchical society due to the fact that during decision making process every decision has to be confirmed by every hierarchical position till the top management level, who gives the final validation. However, this type of decision-making process is the proof that Japanese society is not as hierarchical as many other cultures, like those present in other Asian countries. Hofstede defines it as “a borderline hierarchical society”<sup>20</sup>, by meaning that hierarchies exist and are respected in any situation, starting from work environment: the not so high score on this dimension is also consequent to the existence of meritocracy within Japanese society and the educational concept that says that everyone can reach her/his goals in line with hard work.

Japan is characterized by a quite collectivist society, since its score in the Hofstede’s *Individualism* dimension is rather low (around 46), even if we cannot consider it as much collectivist as other Asian societies like China and Korea. However, it is interesting to see how Japan is seen as collectivistic by Western societies, whereas, on the contrary, other Asian societies consider it as individualist, with respect to them. In any case, we can recognize to

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<sup>18</sup> <http://www.csr-in-deutschland.de/EN/Services/Sitemap/sitemap.html;jsessionid=8041C071F65B5320899EC23F6A54E19B>

<sup>19</sup> <http://www.deutscher-nachhaltigkeitskodex.de/en/the-code/eu-reporting-obligation.html>

<sup>20</sup> Citing the website <https://geert-hofstede.com/japan.html>

Japan collectivistic characteristics, like the search for harmony in groups, beyond the individual self-satisfaction, like acting fairly with the fear of losing face.

If we take a look at *Masculinity* cultural dimension, we can easily see a really high score (95): with this elevated degree, Hofstede defines Japan as one of the most Masculine societies in the world. Contrarily to what we expected from a country with a high score in Masculinity dimension, the influence of the collectivism aspect mitigates the extent to which society is driven by competition, achievement and success. Even with some mitigation, Hofstede recognizes the existence of a rigorous competition among groups, in every context. Furthermore, the author recognizes a beneficial consequence to this situation: Japanese employees usually appear to commit fully and to be even more well-motivated when there is a competing atmosphere. Other peculiar characteristics of Japanese culture are attributable to Masculinity: for example, their search for perfection and excellence in everything they do, produce and manufacture, in the services they offer and in what they present as gifts or food. The Japanese “workaholism”, when employees commit most of their life at work, disregarding families and social life, is linked to its being masculine: especially for women, this could represent an obstacle to advance career.

Also the *Uncertainty Avoidance* cultural dimension shows for Japan a really high score (92), which makes this country one of the most uncertainty avoiding nations worldwide. Hofstede attributed this characteristic to the conditions that Japan is forced to deal with almost daily, referring to the natural calamities (earthquakes, tsunamis, typhoons, volcano eruptions). Their high probability of occurrence together with the enormous impact on people and environment have brought Japanese to prepare for any uncertain and sudden situation, by planning every aspect, by predicting every kind of scenarios, searching for precautions programs. Hofstede sees also uncertainty avoidance mentality in all rituals and ceremonies which Japanese conduct diligently (by following distinctive dressed-code, behavioural standards) at school or in family’s special occasions (weddings, funerals). Also at work, the activities of planning and studying situations, by predicting them in details, is the typical research for risk mitigation and avoidance. The consequent results of this planning are used as basis for good decision making process, which could be relatively slow, in order to permit the discussion and interpretation of studying results.

As regards *Long Term Orientation* cultural dimension, Japan has a relatively high score (88) with respect to other cultures; also in this case, Hofstede recognizes to Japan a leader position among countries for its being projected towards future. Japanese people live their lives, aware that their existence covers just a little part of history: so, they act guided by “virtues and practical good examples”, trying to be and do the best they can. In working environment, this

cultural aspect of long term orientation is evident in their constant investment in R&D and innovation, even when economic crisis would impede companies to invest resources in these kind of projects. Japanese corporations manage to achieve long term results, not focusing on just pursuing monthly outcomes, whereas they look at building conditions for steady growth rate of market share, in order to make corporations survive in the long run. Focal point aren't shareholders, but societal and business stakeholders' needs (actual and future, like next generations).

With a low score of 42, Japanese culture has to be considered as *restraint*, not certainly indulgent. This implies that Japanese act like they are rather restrained by social norms and they usually neglect themselves to have leisure time and to gratify their desires.

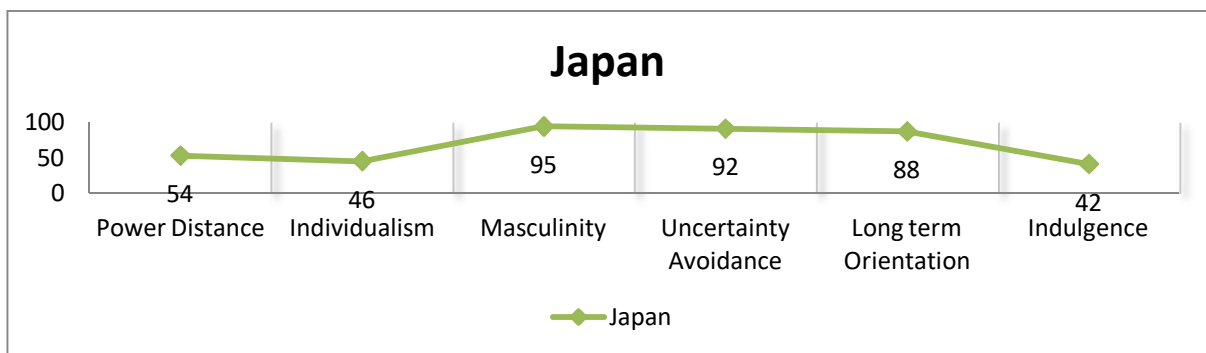


Figure 9 Japanese cultural dimensions scores by Hofstede

## Japan and CSR

The definition of CSR, that is given by CSR Asia, a social enterprise, explains the concept of social responsibility as “*company’s commitment to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders*” ([www.csr-asia.com](http://www.csr-asia.com) cited in Crane et al., 2008).

The concept of CSR is not new for Japanese society: even though the English term of CSR has developed worldwide only in the last years, finally arriving also to Japan, the principle has been widely discussed, under other terms, from ‘60s in this country. According to Debroux (2014), the inception of the path towards CSR has to be attributed to Meiji Restoration in 1867, the period in which, due to the restoration of practical imperial rule that brought political and social changes, Japan started to emerge as a modernized nation. It is, thanks to the publication of *Social Responsibility of the Businessman* (1953) by H.R. Bowen, further printed in Japanese language in 1960, that the resolution “*Awareness and Practice of the Social Responsibilities of Businessmen*” has been elaborated in 1956 by Keizai Doyukai: in this declaration, we can find for the first time what resembles to the embryonic definition of CSR concept: “Management is not simply entrusted by investors who provide capital, but by

all of society” (Masahiko Kawamura<sup>21</sup>, 2004). Fukukawa and Moon (2004) thought that the Japanese term “Keiei”, usually used to refer to a corporation, embeds the significance of CSR: this means that doing business requires governing the world in harmony with people and the environment.

As regards the evolution of the Japanese idea of CSR, the researcher Kawamura identified basically five phases of CSR evolution in this country, from 1960s to 2003, every period’s inception characterized by scandals or social or environmental issues: in the ‘60s, the first civic movements arose to fight against business damaging behaviors, in the ‘70s within companies, anti-pollution departments have started to be instituted; later in the ‘80s, corporations started to take initiatives which support the idea of *good corporate citizen*, by contributing financially to academics, arts and welfare; in the 90’s, although the overflow of economic crisis which hampered the evolution of business ethics, Japanese companies responded to environmental issues through their engagement, by participating to UN conference on Environmental and Development and the issuance of ISO standard for environmental management system. Later ‘90s and beginning of 2000s have marked the CSR in Japan, with the institution of Socially Responsible Investment (SRI), like the eco funds focused on environmental issues, which further expanded their investments also to social and corporate governance aspects. It is actually from 2003 that the above cited author identified a key period for the rapid diffusion of CSR in Japan: just looking at the number of articles citing CSR, it was evident a clear trend towards the diffusion of the concept.

It is clear that these series of scandals, occurred along the second half of the twentieth century in Japan, together with the urgent pressures, coming from external stakeholders, have contributed to the CSR diffusion at social and environmental level in Japan. Thanks to globalization and the possibility to see also global best practices, CSR has even assumed typical traits of Western countries, by maintaining aspects of Confucianism and Buddhism (Bustamante and Groznaya, 2014).

When the discussion shifts to CSR general characteristics in Japan, the literature provides explanation through the study of philosophy and ethics: values and guiding principles remain one of the most important aspect of this topic.

Japanese corporation is depicted as an entity provided with organizational flexibility and based on the practical concept of learning by doing. The Buddhism and Confucian philosophies play a fundamental role in shaping the core characteristics of Japanese society: Buddhism, for example, conveys to people typical values as “trust, simplicity, feeling and

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understanding of self” and it represents the individualist side of business management, while Confucianism and its beliefs have been used as basis for a socio-political disciplinary code. This latter aspect conditions the way people act in an organization, including respect they have for hierarchy, the perseverance and thrift that they share and the group orientation to reach common objectives.

Tanimoto’s studies in 2010 revealed that, usually, many of Japanese CSR practices (like code of conducts development, the creation of departments dedicated to the topic within corporations, the publication of reports) do not correspond with a clearly defined strategy by the corporation and this system still have room for improvements (Bustamante and Groznaya, 2014). In addition, what emerges from several previous considerations is that Japan usually focus mostly on *environmental* matters, while social aspects like the conditions in a specific workplace are treated like secondary concerns, by comparison. It is interesting to notice that within a corporation there isn’t an equal treatment among employees: a study<sup>22</sup> in 1999 revealed that Japanese companies pursue moral values by applying them in particular towards stakeholders’ interests, to the ones who belong to a particular group of interest (excluding group of minorities, or foreigners). In other words, it seems that Japanese corporations tend to concentrate their CSR activities towards areas that are deeply linked and aligned with their profitability.

#### **2.4 National Culture and CSR: past empirical analysis**

Empirical analysis has not yet traced a defined path towards a clear comprehension of the relationship between national culture and CSR. Past literature has mostly studied the reasons and the circumstances for which, for example, values of managers belonging to a certain organization, a given industry or a national context are likely to affect companies results to CSR activities (Aguilera, 2008). In fact, these academic studies have mostly focused on the economic and financial outcomes (in terms of benefits versus costs). In prior literature, through the use of Institutional Theory, scholars pointed out how formal institutions, like laws and mandatory norms, have an influence on what society thinks it is a responsible corporate behavior, by creating expectations on companies’ attitudes and shaping companies’ final practices (McAdams and Nadler in Peng et al., 2012). While the focus point of these analysis has mainly concentrated on formal institutions, informal institutions, including culture, has played a marginal role in the recent studies (Peng et al., 2012).

Some authors, like Vitell and Paolillo (2004) and Waldman (2006), who have empirically approached the topic, focused on the *individual* cultural aspects shaping and impacting CSR

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<sup>22</sup> Wokutch & Shephard (1999), cited by Bustamante and Groznaya (2014)

performance (Aguilera, 2008). At the heart of their elaborations, there is the belief that *“individual and organizational values, regardless of country-level factors, are significant predictors of CSR managerial behaviour”* (Aguilera, 2008).

Other authors deepened the issue, focusing more on the attitudes and values of managers and on corporate behaviours in defined contexts, as countries or regions, with specific cultural and historical characteristics. The focal discussion starts with the evidence that managers are more likely to behave, in general terms, *“differently across countries because they are highly influenced by the national cultural norms of work and culture”*(Aguilera, 2008).

**Ringov and Zollo** (2007) state that *“the main line of argument has been that the concept of corporate responsibility is inherently context-specific, with national culture playing an important part in influencing how society expects businesses to behave”*. Data set, obtained from Innovest Group<sup>23</sup>, consisting of 1100 corporations from 34 countries located in the five continents, has been elaborated and studied applying Hofstede and Globe’s framework for national cultural values. What basically emerges from this study is that corporations, which are situated in areas where there is a high level of power distance and masculinity, tend to have low levels of social and environmental performance. Where the dimensions of power distance and masculinity play a significant negative effect, on the opposite, the authors found that cultural differences on individualism and uncertainty avoidance have no significant effect on CSR initiatives.

Equally, the study of **Peng et al.** (2012) highlights that between the dimensions of power distance and masculinity and CSR engagement there is a negative effect, but, differently from Ringov and Zollo, they discovered a positive effect between the dimensions of individualism and uncertainty avoidance and CSR engagement. The inconsistency between the two studies is due, according to Peng et al., to the sample composition (in this research paper, only comparable multinationals) and to the different definitions given to CSR.

By analyzing a CSP<sup>24</sup> database collecting data of 3680 companies from 49 countries (North America, Europe, Asia Pacific), **Ho et al.** (2012) conclude that the following four Hofstede’s dimensions are significantly associated with corporate social performance. In addition, authors deduced that differences in CSP were surely linked to culture, but also to the

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<sup>23</sup> Innovest Group is the world’s leading international investment research firm specializing in the analysis of non-traditional drivers of risk and shareholder value, including companies’ performance on environmental, social and responsible governance issues(Ringov and Zollo, 2007)

<sup>24</sup> CSP (corporate social performance)

geographic position and economic development of countries, where companies are located. In particular, inconsistently with Ringov and Zollo's results, the authors found that CSP is positively correlated with the dimensions of power distance, of collectivism, of masculinity, of uncertainty avoidance. Ho et al. adduced the reasons for this inconsistency to problems of endogeneity<sup>25</sup> of statistical analysis. Between the geographic areas object of analysis, the authors found evidence that companies from Europe exceed American firms in terms of average corporate social performance (CSP) ratings, while in Asian and developing countries companies register lower CSP ratings (countries with higher power distance level, higher level of collectivism, which are more masculine and with a more uncertainty avoidance level, have higher CSP).

Further in 2014, **Thanetsunthorn** returned to the topic and investigated the differences in CSR business performance on three dimensions: employee, community and environment. The sample consisted in a data set of 2129 companies from Asia, the CSRHub, a commercial data provider with a long history of tracking and rating corporations. The results illustrate that the region with the best CSR performance on all three categories of CSR is South Asia (India and Pakistan) with respect to Easter Asia, Asia Pacific and South-east Asia. With respect to power distance dimension, the author did not find any relation between none of the three categories of CSR and this latter dimension; as regards uncertainty avoidance index, it is clearly stated that a high level of CSR performance at employee, community and environment level is positively connected with uncertainty avoidance; cultures with a higher level of individualism and masculinity results in a lower level of CSR performance on employee and community.

More recently, **Calza et al.** (2016) approached the topic of environmental pro-activity of companies, by investigating its link with national culture using a specific index the "Carbon Disclosure Score (CDS), specialized for environmental issues. The authors found evidence that Globe's cultural dimensions of in-group collectivism, performance orientation, assertiveness and uncertainty avoidance affect negatively business environmental pro-activity, while future orientation and gender egalitarianism influence it in a positive way.

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<sup>25</sup> Endogeneity is a change or variable that arises from within a model or system. For example, a change in customer preferences from high fat food to low fat options is an endogenous change that affects marketing model for certain industries. (<http://www.businessdictionary.com/definition/endogeneity.html>)

As for past empirical researches concerning the influence and the impact of both culture and country-specific peculiarities to *sustainability reporting*, the studies are even so limited (Fifka and Drabbe, 2012).

In a more ample perspective, the researches focused more on the study of *country of origin* impacts on reporting styles, both financial and non-financial disclosures; the literature<sup>26</sup> has shown that there exists differences in the reporting practices among countries.

However, the studies which focused on the impact of the so called “country-of-origin effects” (COE, as defined by Sethi and Elango, 1999) on CSR reporting have mainly explored the institutional influence derived from government, global standards or stakeholder groups, but little has been said about cultural characteristics’ effect (largely discussed in conjunction with national institutions). The studies on sustainability reporting were principally built around the analysis of non-financial disclosures in terms of:

- the *quantity* of information disclosed;
- the *type* of disclosures communicated
- the *probability* of sharing social and environmental information (including the likelihood to follow a defined standard of sustainability reporting).

The limit emerged from these analyses and highlighted by academics is that the authors did not really investigate about the variables that had brought out these dissimilarities, but they just admitted that there was evidence for differences in reporting depending on national context (Fifka and Drabbe, 2012).

Interesting is the study of **Kaplan and Montiel (2016)**, which recently examined the differences between Western (North America: USA and Canada) and Eastern (East Asia: Japan, China and S. Korea) strategic approaches to Sustainability Reporting to key stakeholders, by using the cultural dimensions of Hofstede.

This study included, among others, also companies belonging to apparel manufacturing industry (Nike Inc., U.S. for Western side. and Li Ning, China for Eastern side). For each sector, the authors used as sample a company from the Western countries and one from the Eastern continent.

To every cultural dimensions of Hofstede, the authors determined and associated key CSR themes, on which they concentrated their analysis to see whether some similarities or

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<sup>26</sup> Citing Fifka and Drabbe (2012), these authors are “Gray et al., 1990; Guthrie and Parker, 1990; Roberts, 1991; Birkin and Jorgensen, 1994; Halme and Huse, 1997; Lober et al., 1997; Adams et al., 1998; Adams and Kuasirikun, 2000; Bartolomeo et al., 2000; Kolk, et al., 2001; Adams, 2002; Morhardt et al., 2002; Maignan and Ralston, 2002; Holland and Foo, 2003; Kolk, 2003; Cormier et al., 2004; Chapple and Moon, 2005; Meek et al., 2005; Kolk, 2005; Smith et al., 2005; Hartman et al., 2007; Kolk, 2008; Tsang et al., 2009; Chen and Bouvain, 2009; Morhardt, 2010”.



differences exist between approaches in Western and Eastern companies. They scrutinized reports, codes of conduct and every information disclosed on corporate websites.

Cultural Dimension	CSR Themes
Power Distance	- EMPLOYEE AUTONOMY - HIERARCHY
Individualism	- INNOVATION - INDIVIDUAL ENTREPRENEURSHIP - FAMILY
Uncertainty Avoidance	- CRISIS MANAGEMENT
Masculinity	- MINORITY AND NON-DISCRIMINATION - AGE
Long Term Orientation	- POPULATION GROWTH - BIODIVERSITY
Indulgence	- POPULATION GROWTH - BIODIVERSITY

Figure 10 Cultural dimensions and CSR themes, adapted from Kaplan and Montiel, 2016

The methodology used to compare reports was based on the framework, created by Antolin-Lopez et al. (2015), which developed from the triple bottom line scheme (economic, environmental and social sections) several subcategories. For each category they defined whether the information was present or not.

At the beginning of 2000s, **Katz et al. (2001)** suggested some characteristics of CSR with respect to the different cultural contexts of United States, Mexico, Japan and China.

In particular, the authors found that Japan and U.S had different characteristics as regards their social and environmental inclinations depending on the cultural characteristics. The table below summarizes what the authors found as cultural tendencies of countries with respect to social issues.

	Japan	USA
Consumers	Interest on opinions of family and closed relatives/friends; consumers are less interest to search for product characteristics	Emphasis on outside opinions; high level of consumer advocacy
Environment	Economic growth has precedence to environmentalism	Economic goals remain primary; corporations are more responsive to environmental groups; more pollution
Employees	Focus on employee loyalty; focus on group achievements; fostered harmonious relationship between management and employee...	Equality stressed; employees defend their rights; focus on personal initiatives; intra-organizational conflict is seen as normal...
Community	Business respond to and inform the public; more profit than charity oriented	Profit oriented; corporate community involvement limited to provisions for workers; little philanthropy

Figure 11 Cultural tendencies regarding key social issues of USA and Japan, adapted from Katz et al., 2001

Taking the cue from Katz et al., **Ho and Taylor (2007)** compared Japan and US in the field of triple bottom line (TBL) reporting. What emerged from their analysis was that Japan usually discloses using TBL, more than American companies do, and focusing in particular on

environmental aspect (“*with environmental disclosure being the key driver*”). The results were corroborated by findings of Katz et al. as regards national culture’s influence on reporting, according to which:

- Japanese companies have a larger propensity towards environmental disclosures than USA have, since Japan has the core characteristics of *high score on uncertainty avoidance* and *low rank in individualism*, which can influence the approach of companies of a country with these scores.

In addition, the authors recognized that the findings could be also the result of the regulatory system for environmental issues.

Japan has been object of analysis also by **Lee and Herold** in 2016, who compared CSR of Japanese companies with those positioned in South Korea. These academics investigated how national cultural values impacted on companies’ approaches, differently, in terms of company’s *intention* towards CSR management, degree of *integration* of CSR into business activities and the process of *implementation* of sustainability. The framework used for analysis is the “Triple I” approach (Schaltegger et al., 2014), applied through a survey. For each of this aspect, the authors found a relation between:

- intention and the cultural dimension of power distance, individualism and long term orientation
- integration and the cultural dimensions of masculinity and power distance
- implementation and cultural dimensions of individualism, masculinity and uncertainty avoidance.

Interesting is the study made on the different implementation approaches, since it includes the research on stakeholders management relationships, including communication through CSR reports and the dissemination of sustainability tools for measurement of corporate impacts; however, Lee and Herold did not find any relation (but for a contradiction) between Hofstede’s values and the way in which Japan and Korea implement sustainability (some contradictory results are for example that even though Japan is not as collectivist as South Korea is, Japanese companies have developed sustainability tools more often than Korean; another example is that even though Japan is a masculine culture, Japanese corporations adopt environmental practices and sustain the development of tools for sustainable management, and they can follow voluntary guidelines, instead of those specified by government).

As previously mentioned, what is interesting to notice through the collection of these empirical analysis is that the results of these studies are mainly contradictory and not

comparable. The impossibility of considering all of them comparable could be well exemplified by these reasons:

- Different samples are used: their composition is made up of companies from different industries, countries (sometimes the samples do not include the same number of countries);
- The choice of cultural dimensions and the use of Hofstede/Globe's framework;
- Meaning given to CSR, reflected on the type of statistical analysis employed and assumptions taken;
- Type of analysis: surveys, content analysis etc...
- Frameworks used in the development of empirical analysis.

This is useful to understand how much it should be still done in this field of research.

Furthermore, it legitimizes the fact we don't take these results for granted and use them as reference exemplification in further considerations.

Aware of the complexities of collecting data from several countries and innumerable companies, the intent of this thesis is to facilitate the study of national culture effect on CSR focus, in particular, on three countries, which belongs to three distinctive areas, the North American, the Asian and the European: these are United States of America, Japan and Germany. To simplify the analysis, three companies, one from each country, has been selected. Further information about the companies will be give in next chapter.

## **2.5 Formulation of the research question**

As it has emerged in the first chapter, corporate social responsibility (CSR) is still, in a global context, a voluntary corporate practice and a strategic tool in the hands of companies (except for few countries which developed a solid legislative system for sustainability disclosure).

However, the process of standardization of CSR corporate disclosures, conducted by GRI and by other global standards<sup>27</sup>, increases the expectation of observing fewer differences in the way companies communicate about CSR and their missions, practices and results (performance expressed with selected indicators). Our scope is to observe whether differences are still in place in sustainability reports, although the work of standardization underway. In particular, three different countries, U.S., Germany and Japan, were chosen since they represent three different cultural contexts, respectively of North America, Europe and Asia.

The objective of the second chapter was to study the cultural backgrounds of countries selected through the lens of Hofstede. What emerged from the discussion is that in a

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<sup>27</sup>The attempt for standardization emerged in the first chapter, in the paragraph 1.2.2 "Sustainability Reporting"

comparative perspective, Japan, U.S. and Germany exhibit both different and similar scores in the cultural dimensions of Hofstede. To interpret the scores extracted from Hofstede’s study, it is has been useful to organize these scores into four different ranges, each of them corresponding to a certain level (low, medium low, medium high, high). The table below shows how the scores have been defined.

Range for cultural dimension scores	CULTURAL LEVEL
0 - 45	LOW
46 - 50	MEDIUM LOW
51 - 55	MEDIUM HIGH
56 - 100	HIGH

Table 1 Personal elaboration

The graph below summarized all the scores that have been presented in the past paragraphs regarding the three countries.

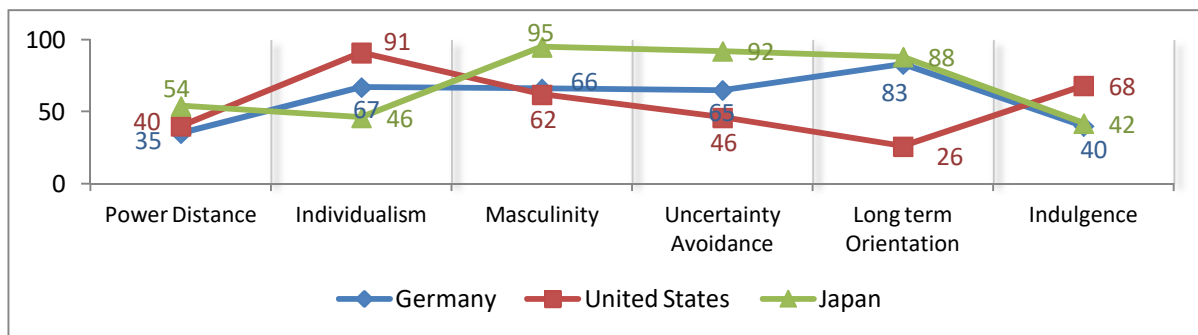


Figure 12 Results from Hofstede cultural values, data from Hofstede’s website, 2017

By applying the above created range of scores to the cultural dimensions’ scores of these countries, the resulting cultural levels are observable from the table below. The symbols \* next to the levels indicate when a score is particularly high or low.

CULTURAL DIMENSIONS	U.S.	GERMANY	JAPAN
POWER DISTANCE	LOW	LOW	MEDIUM
INDIVIDUALISM VS COLLECTIVISM	HIGH*	HIGH	MEDIUM LOW
MASCULINITY VS FEMININITY	HIGH	HIGH	HIGH*
UNCERTAINTY AVOIDANCE	MEDIUM LOW	HIGH	HIGH*
LONG-TERM VS SHORT-TERM ORIENTATION	LOW*	HIGH	HIGH
INDULGENCE VS RESTRAINT	HIGH	LOW	LOW

Table 2 Personal elaboration

The question about how these cultural differences are impacting on the way companies carry out CSR activities and how they ultimately communicate CSR performance to stakeholders’ network arises spontaneously.

We found that *National culture* represents a pertinent aspect in the circumstances under which this thesis is developed: it represents a fundamental instrument for the investigation of differences and similarities of corporate sustainability reporting in different contexts. As

stated by some authors in past literature, national culture can affect the strategic decision of executives or the resulting success or failure of corporate decisions; therefore, we want to understand to what extent “*national culture will affect organizations’ adoption and implementation of corporate sustainability*” (Lee and Herold, 2016).

In this research, the scope is, in fact, to find answers to questions like: is the cultural background of these countries, expressed by the cultural dimensions of Hofstede, explaining any differences in the approaches to CSR and, in particular, in how they use sustainability reports?

The hypothesis are determined after having analyzed the literature reported in this chapter.

Specifically, the ambition of this analysis is to analyze the sustainability reports of companies, headquartered in Germany, U.S. and Japan, with respect to:

- the *intention* or *motivation* for SR, for example expressed by company’s choice of adopting a particular standard, like GRI’s. Companies in countries with higher level of uncertainty avoidance (Germany and Japan) are expected to present a sustainability report which responds to a recognized Standard and which is assured by an external assurance.
- the *length* of the reports, that is the quantity of information disclosed; companies in collectivist countries (Japan) are expected to communicate in a more succinct manner, preferring pictures to longer texts and explanations, than individualistic cultures (U.S and Germany)
- the *content* of the sustainability reports, or rather the type of information disclosed. As concerns this aspect, the hypothesis are inspired by the study of Kaplan and Montiel (2016) and by the results of Ho and Taylor, derived from the analysis of Katz et al. Companies in countries with combined high uncertainty avoidance and lower level of individualism (as Japan is, in this specific case) are more inclined to report on environmental issues (Katz et al., 2001 and Ho and Taylor, 2007). Companies in individualistic countries are more inclined to report about how they strive to make employees independent and to act as entrepreneurs themselves, fostering innovation while in collectivistic countries, companies are more committed to offer support to employees and family members (Kaplan and Montiel, 2016). At the same time, countries with lower level of power distance have companies which are committed to make employees autonomous and independent. Higher scores in uncertainty avoidance cultural dimension will bring companies to be carefully investing on crisis management, to avoid risks arising from bad management of environmental and social

issues. Countries with low level of masculinity should be more caring for minorities, like elderly people (Kaplan and Montiel, 2016).

Conscious of the impact that also the political, institutional and legal frameworks of each country have on CSR disclosures, the focus of the thesis has been fixed on investigating the effect that cultural background can have on sustainability approaches.

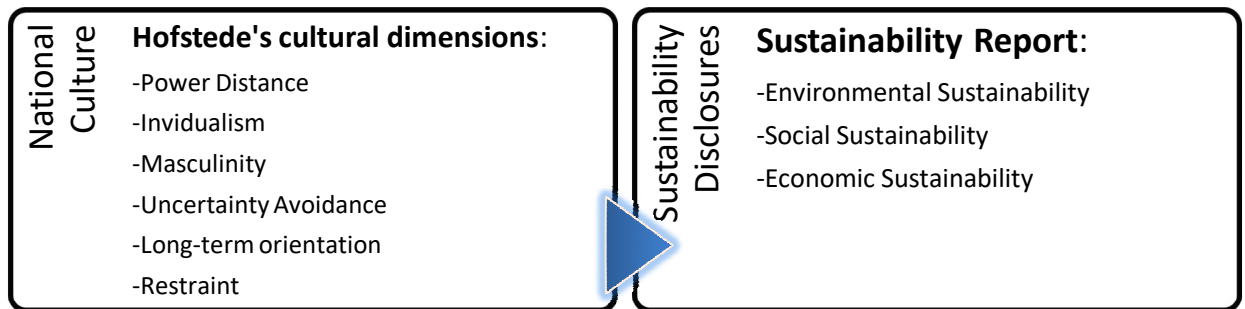


Figure 13 Personal elaboration

# CHAPTER 3

## 3 CSR in the Apparel/Footwear Industry

The high-street apparel industry is defined as “*a technologically mature industry with low barriers to entry, and a relatively flat and price-sensitive market*” (Knutsen, 2004 in Perry, 2012). With its distinctive traits, many are the challenges that this dynamic and highly-competitive industry has to face: for example, the length of product life cycles, which is really short, high product variety, high volatility, low predictability, relatively low margins and high levels of impulse purchasing that characterizes the final consumer (Perry, 2012). Therefore, fashion retailers have continuously to handle complexities due to the search for cost minimization and, in the meanwhile, for perfect and rapid lead time. In order to protect their competitive advantage, organizations decided to move the major part of the production in countries with lower labour costs, where, however, the request for sustainability could not be disregarded, given the increasing awareness of ethical issues in fashion supply chains (Perry, 2012). Ultimately, multinationals corporations have started to be considered responsible for the entire supply chain, which includes also the practices of subcontractors and external suppliers. In this manner, the acts of choosing the right supplier and monitoring its activities (like the level of commitment towards codes of ethics) have become a critical factor for the success of companies’ sustainability strategies, in order to avoid the risks of suppliers deficiencies (Macchion et al., 2015).

It is surely documented that the attention given by fashion retailers to sustainability issues has certainly become a fundamental prerequisite to gain and sustain competitive advantage (Corbellini and Marafioti, 2013).

Nowadays, in the collective unconscious, fashion industry is surely associated with the concept of sustainability. In the last decades, fashion industry has been experiencing a rising and significant demand for sustainability at environmental and social level, which has made this sector one of the first industries to have prioritized the concerns of sustainability at the level of supply chain management in the 1900s (Khurana and Ricchetti, 2015).

In particular, after the financial crisis of 2008, it has been registered a determinative change in the consumption needs for fashion items: consumers started to ask for more and more transparency for sustainability strategies implementation by fashion companies, above all, in light of many scandals that emerged from bad business practices, like the exploitation of children workforce by Nike in 1996. Consequently, organizations have begun to rethink their

relationships with subcontractors and suppliers in line with a more sustainable supply chain (Corbellini and Marafioti, 2013).

### 3.1 Environmental, Social and Economical Sustainability in Apparel Industry

When we talk about CSR in the fashion industry, we are basically referring to the concept of sustainability, which can be easily depicted through the scheme of the triple bottom line concept (Khurana and Ricchetti, 2015). Following this scheme, environmental, social and economic sustainability are encountered.

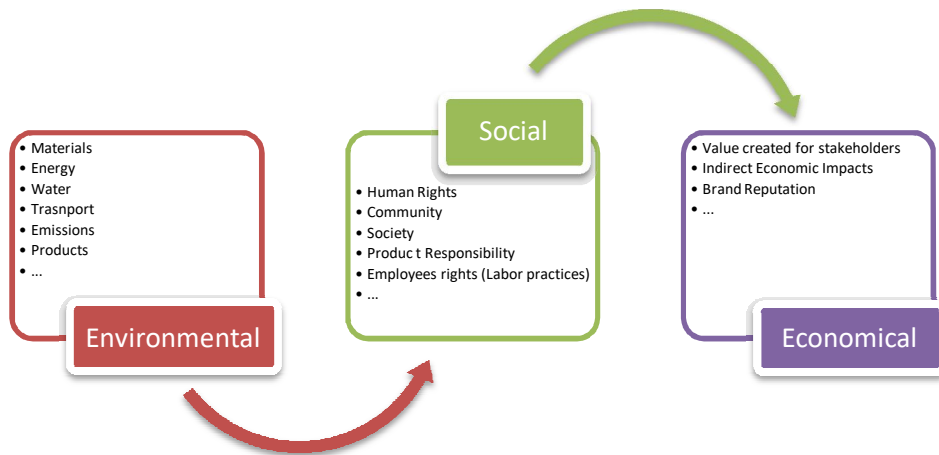


Figure 14 Personal elaboration, based on TBL and GRI guidelines

#### Environmental Sustainability

Several criticisms have been raised towards the repercussions that methods used during the production process (e.g. dyeing, tanning or finishing), including the use of harmful chemicals and non-renewable resources or the generation of waste, could have on the environment (Allwood and Fletcher in Kozlowshi et al., 2014). Apparel sector has been asked to answer also to the consequences of employing global-scale transportation of products from country to country, which results in CO<sub>2</sub> emissions (Fletcher, 2013). Beyond the already cited distribution concerns, further criticisms have put emphasis on product composition and packaging: for example, the idea of changing to “green products” made of recycled fibres or organic components, to be delivered through a packaging, which is less and composed by recycled or recyclable materials (Ciliberti, 2008 in Macchion et al., 2015). As a consequence, a debate around environmental concerns and the viable solutions for improvements has started among practitioners and academics, mostly pressured by solid campaigns conducted by NGOs. The most famous ones are the Greenpeace Detox, the establishment of the Sustainable Apparel Coalition and the ZDHC Group (Khurana and Ricchetti, 2015), with the main focus set on the use of hazardous chemicals during the production process.



## **Social Sustainability**

As regards social concerns, fashion industry has been considerably judged for the labour conditions of workers all-along the supply chain, making it particularly exposed to sustainability pressures; actually, a long history of social concerns have characterized fashion industry, made of continuous dialog and communication with local and national workers unions of countries where they have located facilities or recruited subcontractors (Khurana and Ricchetti, 2015). “Mistreatment of workers and violation of human rights have revealed on a critical and complex scenario within the fashion industry” (Macchion et al., 2015). One of the most famous episode, well-known for its repercussions to fashion brands reputation, is the collapse of a facility called “Rana Plaza” in Bangladesh, occurred in 2013; but, in primis, we remember also the scandal of Nike for the exploitation of children workforce in 1996. The employment of outsourcing and delocalization strategies in developing countries and the past scandals on the topic have put more and more pressure to the social conduct of companies towards the respect of working conditions and human rights. Social sustainability’s implementation is, in fact, made even more arduous, when companies have to face challenges in their supply chains due to cultural differences of the countries where they place facilities or have contracts with subcontractors. Usually, this kind of sustainability starts from the supplier dimension, where working condition should be set as a main focus of interest for further improvements (Macchion et al., 2015).

The social responsibility of fashion industry arrives also to the final consumer who wears clothes: the composition of products could affect final consumer’s health when she/he gets in contact with hazardous chemicals.

## **Economical Sustainability**

As suggested by some authors (Khurana and Ricchetti, 2015), sustainability can be seen through different lens, beyond the approach that considers sustainability as linked with externalities (Van den Bergh, 2010), impacting negatively on business costs. Under another perspective, sustainability is related with innovation and value creation, which is able to bring a positive result, a financial return, to the business with respect to value creation and cost savings. Brand reputation is the favorable consequence of sustainability implementation, that becomes an incentive for businesses: “*sustainability claims can increase brand value by differentiating the brand offer from competitors or conversely shield brand value against reputation risks related to name and shame campaigns*” (Khurana and Ricchetti, 2015).

### **3.1.1 Sustainability Reporting in the apparel industry**

The application of Sustainability reporting by companies has increased in the last decades, as visible in the results of latest trends, likewise corporations in the apparel industry have incremented the publication of non-financial information regarding their sustainability initiatives (Kozlowski, Searcy and Bardecki, 2014). Generally, sustainability reporting can be developed in different ways, for example by publicizing business initiatives, practices and results within corporate web-sites, or by integrating non financial information within annual reports or by using independent and stand-alone Sustainability reports. Specially Internet plays an important role in the diffusion of this kind of information (through corporate website and advertising campaigns, for example), because it enables faster information to spread, less expensively, and reach larger audience.

In this research, the focus is set on Sustainability Reporting and communication to the principal stakeholders, which can follow or not the guidelines of GRI since it provides guidance for all industries. Reported in GRI's website, there is in fact this statement: *“by using the GRI Guidelines, reporting organizations disclose their most critical impacts – be they positive or negative – on the environment, society and the economy. (...). G4 is designed to be universally applicable to all organizations of all types and sectors, large and small, across the world”*. In particular, with reference to the apparel industry, GRI has introduced a supplement called the *“Apparel and Footwear Sector Supplement”* (AFSS), the updated version is elaborated from the G3 Sustainability Reporting Guidelines of 2013 (the origin of this segment is ascribable to 2005). This supplement covers all the key issues typical of the sector: supply chain standards, use of materials and energy, wages and hours of employees, labor and management relations and community investment strategy.

According to some academics, the content of this segment is largely shaped in relation to the supply chain issues, failing to capturing all the key elements in the apparel sustainability issues (Kozlowski, Searcy ad Bardecki, 2014). Other authors added that the lack of shared and common definition of sustainability can hamper the evaluation and comparison of Sustainability Reporting, (without blaming the GRI action and its role in the standardization of reports). Furthermore, due to the fact that sustainability reporting is still a voluntary choice of companies, among corporations there is still a lot of volition in the issues disclosed. Whereas in other industries researches on sustainability reporting have been largely faced, in the apparel, or textile industry, on the contrary, little has been said about the latest trends in reporting.

In 2009, Sherman made a content analysis of the two sustainability reports of Adidas and Nike, which followed the G3 guidelines of GRI. The scope of the analysis was to investigate the compliance to the guidelines, the content and the reporting style: what surprisingly

emerged was that the two reports presented differences in what was disclosed, in the communication style and in the metrics used to report their performance in the field of sustainability, even though the two companies belong to the same industry. In that specific analysis, Sherman got to the conclusion that GRI guidelines didn't reach the results it set as a goal, observing how the problem was originated by the application of the guidelines.

The result obtained by this past empirical research about sustainability reporting citing two of the companies chosen from the empirical research influences the method used for the comparative analysis of the corporations.

The frequent lack of GRI standard appliance and adherence among companies in the apparel sector, consequent to a mainly voluntary decision of companies, had made the use of GRI G4 index useless in its scope of comparing disclosures from different companies. This choice will be further explained in the next paragraphs.

### **3.2 Definition of the sample**

The objective of this paragraph is to introduce the sample of the companies analyzed. The companies selected, which are Nike Inc., Adidas Group and Asics have been chosen because they respond positively to the following requirements. First of all, all of them operate in the apparel industry and are competitors, where these corporations are known to be specialized in the footwear segment.

Furthermore, due to the scope of this research, which investigates the influence of the cultural aspect, it was essential to find companies located in the countries object of the analysis: in fact, Nike Inc. headquarters are in Oregon, U.S., Adidas Group is located in Herzogenaurach, Germany and Asics headquarters are in Kobe, Japan.

The decision of analyzing Nike Inc., Adidas Group and Asics has been taken since these public corporations, operating in a global market in the garment sector, have a high visibility in the field of sustainability. All of them have joined the Sustainable Apparel Coalition (SAC), which proves their commitment in developing a system which is based on "*deep transparency, deep collaboration and improvement*"<sup>28</sup>, from which the entire apparel industry can finally take advantage.

Fundamental in the decisional process has been the comparability of these three companies: as just said previously, all three are leaders in the footwear industry, where they are actually competing. Adidas Group, with its three brands Adidas, Reebok, TaylorMade Adidas Golf and CCM Hockey, reaches 19.291 million euro of consolidated net sales in 2016, with Adidas brand incorporating the larger part. Nike Inc registered 32.376 million dollars consolidated

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<sup>28</sup> <http://apparelcoalition.org/members/>

revenues in 2016, worldwide recognized with the its brands Nike, Nike+, Jordan, Hurley and Converse. Asics reported 399.107 million Yen of consolidated net sales in 2016. Being comparable companies with a worldwide presence, which makes their businesses hugely impacting on the societal and environmental contexts, it is interesting to compare their different approaches to the most recent sustainability reports and general sustainability approach.

The other aspect that has been taken into consideration for the choice of the sample is the fact that these corporations are quite active in disclosing information about their sustainability initiatives and overall strategy; however, since it emerged that not all of them reported in conformity with G4 standard, to facilitate and increase the comparability among the three companies, a further model for reporting valuation will be constructed and employed to analyze different approaches.

Nike Inc., Asics and Adidas Group have made their reports and general disclosures available to the public, through their corporate websites; not only the latest reports, but also the ones of the past years are saved in their archive and they can be easily consulted by stakeholders, who can keep track of corporate activities since the beginning. Nike Inc. has started to report on corporate sustainability in 2001. However, it is from the fiscal years (FY) 2010/2011 that Nike Inc. have reported consistently every two years. The archive of Asics counts sustainability reports from the year 2009 on. The name of the reports changed with the time: the first ones, from 2009 to 2013, are called CSR Report, while the last ones bare the name of Sustainability Reports, to indicate the appliance of GRI standards. As the competitor Nike Inc., Adidas Group started to report about sustainability in the 2000s<sup>29</sup>, when the corporation usually wrote a report called “Social and Environmental Report”, with the aim of disclosing results achieved from its commitment and set goals. It is from 2008 that the company has started to prepare the Sustainability Report (SR), with its peculiar connotation. Furthermore, all three companies upload voluntary their SR in the GRI Database website (<http://database.globalreporting.org/search/>), where they are all of public domain.

It gives evidence that these companies had already gained extensive experience in the field of Sustainability Reporting. Their outstanding activity in this field have permitted the continual work on sustainability communication; this conduct enabled them to benefit in terms of competitiveness, economic profits and sustainable performance.

With respect to the others, Adidas Group has been also recognized as one of the 100 World’s most sustainable corporations, both in 2016, when it was at the 4<sup>th</sup> place with an overall score

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<sup>29</sup> “We have a strong legacy in sustainability reporting. For 16 years we have published an annual sustainability report detailing our progress made in the previous year” (Sustainability Report of Adidas Group, 2015 page 5)

of 73.1%, and 2017, when the score has been downsized to 58.6% and the company has been classified at 49<sup>th</sup> position<sup>30</sup>.

Corporation	Headquarters, Country	Industry	Publicly traded	Area served
Asics	Kobe, Japan	Apparel – Footwear segment	YES	Global
Nike Inc.	Washington County, Oregon, United States	Apparel – Footwear segment	YES	Global
Adidas Group	Herzogenaurach, Germany	Apparel – Footwear segment	YES	Global

Table 3 Personal elaboration

In conclusion, the decision of taking these three companies within the apparel industry has been surely taken for:

- their *size*, in terms of sales measure: from the study of past literature, it has emerged how size is predictable of environmental accountability (Adams et al., 1998; Gray et al., 1995; Neu et al., 1998 cited by Fortanier, Kolk and Pinkse, 2011);
- the *profitability* of these business: academic evidence shows how profitable companies are expected to be more inclined to sustainability disclosures, since sustainability disclosures brings “economic performance and profitability” (Al-Tuwaiiri et al., 2004 cited by Fortanier, Kolk and Pinkse, 2011).
- the fact that they are *internationalized* companies, which brings the expectation that “*higher degrees of internationalization positively influence the adaptation of international standards*” (Fortanier, Kolk and Pinkse, 2011).

### 3.3 Methods for evaluation and areas investigated

Even though Nike Inc, Adidas Group and Asics are actively engaged in the field of sustainability and they have dealt with sustainability reporting since the 2000s, not all of them decided to adhere and be in compliance with *G4 Standard*, the most recent standard published by GRI.

<sup>30</sup> <https://www.forbes.com/sites/jeffkaufman/2017/01/17/the-worlds-most-sustainable-companies-2017/#3bde362d4e9d>

As a matter of fact, only Asics have published a SR which is in “accordance” with “core” option of G4; Nike Inc. have written a report following G4 index but not fulfilling all the points that GRI requires in order to judge it in compliance with the standard; on the other extreme, Adidas Group wrote a report about sustainability without following the requirements set by GRI, which did not ultimately recognize it as G4 report.

Consequently, the lack of uniformity to GRI standard appliance demonstrated a problem of comparability of the companies of the sample: even though the majority of academic researchers have largely make use of GRI index<sup>31</sup>, considered as the fundamental tool for comparison, our choice has been to find another index, elaborated from literature, which strives to be useful as a solid evaluation grid for comparison.

To overcome the difficulties of comparing different sustainability reports (complexities mainly arising from the fact that many companies can take inspiration from different reporting standards, beyond the recognized GRI), some authors decided to use other structures for the analysis.

This is the case of the authors Patten and Zhad (2014) which used a framework for comparisons other than GRI’s index: they defined a grid of valuation starting from the content present on the reports of the sample. Other authors, like Antolin-Lopez, Delgado-Ceballos Montiel (2016) recently developed a framework useful for the definition of corporate sustainability strategies, an instrument which derived by the combined analysis of past academic researches and global standards.

Given the several academic approaches to the analysis together with the scope of the investigation for this thesis, the elaboration of an *evaluation grid* become necessary.

It is fundamental for the reader to keep in mind that the methodological approach adopted for the qualitative analysis has been built following a personal elaboration, which has the aim to make the comparison of three reports, but that also it aspires to serve as a framework for the evaluation of other corporate reports.

The empirical materials used for the research are the three Sustainability Reports (SR) of three companies: we have excluded, as for simplicity, other channels for communication, like business corporate websites, social network and annual reports.

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<sup>31</sup> Many comparative studies had used the GRI index (G3.1 or G4) as instrument for analysis. The scope for their analysis was to verify differences in the application of the requirements and the degree of compliance with the Standard. The samples consist of many companies, belonging to different industry and originating from many other countries. The context for this analysis is simpler than previous investigations and the areas investigated are perceived in different terms.

The analysis of these SR has to be developed through two different levels and for each a valuation grid is proposed.

As regards the *intent* or rather said motivation for sustainability reporting, we take inspiration from the concept of “intention” elaborated through the “*Triple P*” framework by Harms et al. and unified with some points of the G4 Index (in particular the part of the *General Standard Disclosures*). Even though the considerations of Harms et al. about the intent is referring to the general motivation for CSR, we consider some aspects to deduce the “general motivation” for SR. The scope of this section is to gather prevailing messages arising from the report in order to understand in broad terms the motivation for SR and to identify the process of reporting. In this context, it is important to identify:

- the *report profile* adapted from G4 (information have been gathered within the report, if present or extrapolated from other sources)
- the communicated *strategy* towards CSR (the strategy should set future objectives for the material arguments).
- the *critical stakeholders* towards whom the company prepares the sustainability report to communicate sustainability activities, goals, gains and initiatives...
- the *material aspects*, or rather said “what sustainability issues are of main concern to the companies and their stakeholders” (Harms et al., 2014)

	<b>NOTES</b>	<b>Definition inspired by</b>
<b>REPORT PROFILE</b>		
Name of the Report	<i>Title given to the Report</i>	
Reporting Period	<i>Fiscal or calendar year</i>	G4 - GRI
Date of the most recent previous report (if any)	<i>Last report published</i>	G4 - GRI
Reporting Cycle	<i>Annual or biennial</i>	G4 - GRI
Implementation of SR through a global reporting standard as a support	<i>Yes/No (if yes, which reporting standard)</i>	
Level of adherence to the Standard	<i>If communicated the level of compliance</i>	
Reporting Scope	<i>The info conveyed regards global or home country activities</i>	Kolk (2004)
Nature	<i>Social/Environmental or Integrated with financial information(TBL)</i>	Kolk (2004)
External assurance	<i>Yes/No find if information is presents in the report have been externally assured</i>	
Availability of report for consultation	<i>Signal where the report is available (Corporate website, GRI database...)</i>	
N. of Total pages	<i># of pages</i>	
<b>INFORMATION ABOUT THE COMPANY</b>		
Company business description	<i>Yes/No</i>	
<b>APPROACH TO SUSTAINABILITY</b>		
Definition of “Sustainability” goals for the future ( <i>list the generic goals of the company</i> )	<i>Yes/No</i>	
Time settled to reach future goals	<i>Yes/No (if yes, longest target)</i>	

Statement from CEO	Yes/No (if yes, the tone used for communication)	G4 - GRI
<b>CRITICAL STAKEHOLDERS</b>		G4 - GRI
Evidence of Stakeholder Groups to whom the company communicate	Identifiable stakeholders (if not directly ascribed, stakeholders who emerged from the analysis of other documents/websites)	
Stakeholder Engagement	Yes/No	
<b>MATERIAL ARGUMENTS</b>		G4 - GRI
Evidence for material "Aspects"	Any reference to materiality identification process	

Figure 15 Personal elaboration

As regards the analysis about the *content* and the *length* of each section (interpreted as the "space" given for each environmental, social and economic macro-categories), the frameworks are interconnected to the definition and the consequent research about the "sub-categories", which we can take from Antolin-Lopez, Delgado-Ceballos Montiel's study.

For the reader, the table below summarizes the instruments that the authors have used to elaborate the macro-group and relative subcategories.

**CORPORATE SUSTAINABILITY PERFORMANCE MEASUREMENT (CSPM) INSTRUMENTS ANALYZED**

Instrument	Initiating Stakeholder	Purpose
Figge et al., 2002	Academic	Incorporate social and environmental exposures of business units into the main management system of a firm
Bansal, 2005	Academic	Identify the items for the three dimensions of Corporate Sustainable Development (CSD) for academic purposes
Kolk et al., 2010	Academic	Identify the relevant measurement items for each of the three CS dimensions for academic purposes
Kinder, Lydenberg and Domini (KLD)	Investment rating agency	Provide a metrics system and management tools to integrate CS factors in investment decisions
Dow Jones Sustainability Index (DJSI)	Rating agency	Create an index to evaluate the CS performance of the largest Dow Jones companies
United Nations Global Compact (UNGC)	International organization	Establish a global code of conduct of CS
ISO 26000	Nonprofit organizations	Provide a guidance standard for companies to operate in a socially responsible/sustainable way
Global Reporting Initiative (GRI)	Nonprofit organizations	Provide a standardized system to report CS information to all stakeholders
B-Corporation (B-Corp)	Nonprofit organizations	Provide a framework and certification for companies to benefit society as well as their shareholders

Note: These instruments were identified as the most used by academic and practitioner scholars as a result of our systematic literature review. Identifying which of them have been more broadly implemented by companies is out of our scope.

Figure 16 Instruments analyzed by Antolin-Lopez, Delgado-Ceballos Montiel (2016) for the elaboration of subcategories

The table below (Table 4) is the original framework.

ECONOMIC CATEGORY	
Economic sub-dimensions	Examples of items
Profit generation	Direct economic values generated, return on investment
Efficiency	Input cost reduction per output; waste management cost reduction per output
Supplier Relations	Supply chain management requirements; Supplier development programs
Marketing Practices	Marketing based on sustainable premises; Fair marketing practices
Innovation	R&D investments; Spin-off Technologies
Risk & Crisis Management	Coordinated risk management response; Burma concern
Employee Compensation	Caps on executives compensation; cash profit sharing
Government relations	Collaboration with government officials; Political involvement
Ethics in management	Codes of Conduct/compliance/corruption and bribery; Fair compensation
SOCIAL CATEGORY	
Social sub-dimensions	Examples of items
Employee Programs	Diversity Practices; LGBT policies
Occupational Health & safety	Employee Safety improvements; Healthy lifestyles incentives
Human Rights	Forced labor policies; Child labor policies
Philanthropy	Charitable Giving; Funds for local community activities
Volunteerism	Paid employee volunteer hours; Employee volunteer impact measures
Local Commitment	Local sourcing; Indigenous communities programs
Bottom of Pyramid (Bop)	BoP development programs; Poverty alleviation programs
Product Responsibility	Product life cycle assessment; Waste minimization in packaging
Quality Management	Quality control programs; Quality data & reporting for sustainability
Consumer relations management	Customer satisfaction management; Customer Feedback Process
Sustainable consumption	Responsible Labeling; Responsible product disposal information



ENVIRONMENTAL CATEGORY	
Environmental sub-dimensions	Examples of items
Energy conservation	Energy efficiency; Clean Energy
Materials Management	Low impact resources; Renewable Resources
Water issues	Water use; Recycled water
Waste management	Waste reutilization; Toxic waste management
Climate change	Climate change mitigation; carbon reduction practices
Pollution	Acid rain (Nox and Sox Emissions); Runoff; Noise
Biodiversity	Natural habitats restoration; Elimination of operation in environmentally sensitive locations
Product Stewardship	Green Products; Packaging materials
Environmental management systems	ISO 14001; EMAS
Distribution and Transportation	Low emissions transport vehicles; clean outsourced fleet
Green suppliers	Suppliers monitoring; suppliers screened by green criteria
Environmental reporting	Environmental/ Sustainability Reports; environmental communication
Environmental compliance	Fines for non-compliance with environmental regulations; Environmental laws obedience
Environmental risk	Reduction of environmental accidents; Environmental risks prevision

Table 4 Corporate Sustainability strategies checklist, Antolin-Lopez, Delgado-Ceballos Montiel 2016

Since this framework (*Table 4*) has been actually developed to permit comparison among companies' different approaches to corporate sustainability and CSR tools management in terms of strategies (therefore not focusing on a specific stand-alone sustainability report, as it is the case for this research), some sub-categories won't be taken into consideration or they may be adapted for the analysis. The need for the following re-elaboration of "*CS strategies checklist*" (Montiel et al., 2016) has emerged not only because this checklist has to be useful in the analysis of the selected sustainability reports; in addition, the lack of clarity in the definition and in the separating areas between some overlapping issues, together with the absence of some distinctive sub-categories have made essential the unification of some subcategories and/or the introduction of others.

Helped by the analysis of instruments made by Montiel et al. (2016), for each section, I also added the information about the reference of instruments used (at the right hand side of the table below): **x** is when there is clear correspondence with the instrument, **o** is when the subcategory is present in that instrument but it is not exactly inserted in that precise context/category).

The aim of this table is to help the identification of *sub-dimensions* within each SR. The first step is to understand whether the information is present or not.

When there is evidence that the topic is discussed in the SR, the next step is to underline:

- the main **key words**, which summarizes the content
- the **performance measures** and **indicators** used to show results/performance (it is also specified the general *time span* analyzed with the measures, for example the period 2011-2015)
- the presence of any declared **future targets/commitment** (with a *X* if it is communicated)
- valuation of the **space and length**, in terms of pages, given to the topic treated (0-3)

- the *type* of information presented (inspired by the study of Kolk, 2004):
  - *performance*= when the company shows performance indicators (quantitative and qualitative data)
  - *organizational*=when the company explains how it manages the environmental and social issues
  - *monitoring*=reference to any activity of monitoring sustainability performance of business and of third parties (*see suppliers monitoring*)
  - *generic*=the information is generic, since it contains general commitments and activities

The valuation of length follows this valuation grid, personally elaborated and below presented.

**Valuation Grid**    **Meaning**

0	No space given to the topic, since the information is not conveyed within the report
1	<i>LESS THAN A PAGE/FRAGMENTED INFORMATION</i> : the information is expressed through some sentences or it is treated in marginal paragraphs The space given to the elaboration is less than a page
2	<i>A PAGE AND MORE</i> : The information is present in the report as a stand-alone topic, eith more than one page ( <i>max 3 pages</i> )
3	<i>MORE THAN FOUR PAGES</i> : The topic is heavily developed and developed throughout more than three pages

Table 5 Valuation Grid, Personal Elaboration

It is important to make a premise to avoid misconceived deductions: once reading the results of this analysis, the reader must bear in mind that the lack of information for a certain sub-category does not point out that the company hasn't dealt with the topic at all, but it simply demonstrates that the company hasn't conveyed any information about that issue within the report.

The compiled tables will be useful as basis for discussion.

ECONOMIC CATEGORY						
Economic sub-dimensions	Examples of items	GRI	ISO 26000	DJSI	UN GC	OTHERS (Figge, Bansal, Kolk...)
Profit generation	Information about profit and, if present, direct economic values generated; the use of economic KPI's like return on investment (ROI) etc...	x		o		x
Efficiency	Input cost reduction per output; waste management cost reduction per output					o
Supplier Relations	From DJSI, understand if there is a solid supply chain management process and how it is communicated in the SR; Supplier development program; Supply Chain Management Requirements	o	o	x		x
Marketing Practices	From DJSI, Marketing based on sustainable premises; Fair marketing practice. Any product sold which is banned in some countries and total number of incidents of non-compliance with regulations.	o	o	x		x
Innovation	R&D investments, Spin-off Technologies or development of useful technologies aimed at making the company more sustainable			x		
Risk & Crisis Management	Development of risk management system pointed towards risks in sustainability; compliance with any crisis management standard/system (e.g., ISO 31000); identification of risks and opportunities		o	x		
Employee Compensation	Caps on executives compensation; cash profit sharing; the coverage of the organization's defined benefit plan obligations	x	o	x		x
Government relations	Collaboration with government officials; Political involvement of the companies as regards particular issues; any financial benefits/ subsidies/grants received by the government;	o	o	x		x
Ethics in management	Any reference to Codes of Conduct and its compliance; initiatives against corruption and bribery; The communication about practices for fair compensation	o	o	x	x	

Table 6 *Economic category*, Personal Elaboration

SOCIAL CATEGORY						
Social sub-dimensions	Examples of items	GRI	ISO 26000	DJSI	UN GC	OTHERS (Figge, Bansal, Kolk...)
Employee Programs/ Employment	<i>General information about employment (rights, duties and initiatives) within the company; use of diversity practices or LGBT policies. Any corporate investments on training and education programs for employee</i>	x	o	x	o	x
Occupational Health & safety	<i>Concerning employees, communication about any activity focused on safety improvements and healthy lifestyles incentives.</i>	x	o	x		x
Human Rights	<i>Forced labor policies; Child labor policies Taken from GRI, it covers the extent to which processes have been implemented, incidents of human rights violations, and changes in stakeholders' ability to enjoy and exercise their human rights.</i>	x	o	x	o	x
Philanthropy & Volunteerism	<i>Activities that the company communicate as charitable Giving or Funds for local community activities Paid employee volunteer hours; Employee volunteer impact measures</i>		o	x		x
Product Responsibility	<i>This subcategory refers to the impact that a product/service could have at a social level, to consumer's (or other stakeholder in general) health and safety; it is addressed to product life cycle assessment or waste minimization in packaging</i>	x				
Consumer relations management	<i>Any reference to the relation built with consumers/customers; Customer satisfaction management; Customer Feedback Process</i>	x	o	o		

Table 7 *Social Category*, Personal Elaboration

ENVIRONMENTAL CATEGORY						
Environmental sub-dimensions	Examples of items	GRI	ISO 26000	DJSI	UN GC	OTHERS (Figge, Bansal, Kolk...)
Energy conservation and Emissions	<i>Programs/commitments to reach energy efficiency; use of clean Energy; reduction of energy consumption to reduce emissions. This subcategory is focused on the consumption of energy, not on the effects of the efficient use of energies</i>	x	x	x		x
Materials Management	<i>How the company manage the use of materials: low impact resources; Renewable Resources</i>	x	x		x	
Water issues	<i>Water use; Recycled water</i>	x	x	x		
Waste management	<i>Waste reutilization; Toxic waste management</i>	x	x		x	x
Climate change	<i>Climate change mitigation; carbon reduction practices This aspect is particularly important since it derives from the DJSI). Climate change is influenced by the several aspects, like emissions</i>	o	x	x		
Pollution	<i>Acid rain (Nox and Sox Emissions); Runoff; Noise</i>	x	x	x	x	x
Biodiversity	<i>Natural habitats restoration; Elimination of operation in environmentally sensitive locations</i>	x	x	x	x	x
Product Stewardship	<i>Green Products; Packaging materials</i>	x	x	x	x	x
Environmental management systems	<i>ISO 14001; EMAS</i>		x	x	x	
Distribution and Transportation	<i>Low emissions transport vehicles; clean outsourced fleet</i>			x		

Table 8 *Environmental category*, Personal elaboration

# CHAPTER 4

## 4 Case Studies: Nike Inc., Adidas Group and Asics

The fourth chapter develops the empirical study of the thesis: after presenting the three comparable companies, operating in the same sector but originating from different geographical and cultural contexts, we proceed with the analysis of their sustainability reports (SR), enlightening differences and similarities in the contents and in the disclosure of information.

This wants to be a brief introduction for the reader to a general presentation of companies and their relationship with Sustainability reporting (as already stated in the previous chapter, in fact, the choice of selecting Nike Inc., Adidas Group and Asics is consequent to their long-standing approach to Sustainability and the concerning process of reporting, *see Figure 19*).

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
<b>Nike Inc</b>		x			x	x			x		x		x		x			7
<b>Adidas Group</b>	x	x	x	x	x	x		x	x	x	x	x	x	x	x	x	x	16
<b>Asics</b>										x	x	x	x	x	x	x	x	8

Figure 17 Sustainability Reports available and published in the corporate websites of Nike Inc., Adidas Group and Asics, Personal elaboration

During 2000s, both Adidas and Nike Inc were object of a rigid criticism for the working conditions adopted by the factories of subcontractors in developing countries. It is undeniable how these scandals have influenced their attention towards sustainability and the consequent reporting through transparent information, particularly the years after the critics emerged; in fact, some researches defined this inclination to reporting, applicable to them, as a mere “*damage control*” (Tschopp, 2003). Both had in fact started to report about sustainability around the 2000s, as we can infer from the figure just presented above.

From this chart, it is visible how Asics started to report only in 2009, later with respect to its competitors. However, the company demonstrates how the nature of CSR is permeated into the business culture, since the origins. Its founding philosophy was in fact the achievement of a global sustainable growth, by creating “*a quality lifestyle for people all over the world*”. With regards to sustainability report, Asics edited and published almost the same number of reports of Nike Inc., which have started almost 10 years before the Japanese corporation.

Differently from Adidas Group and Asics, in fact, Nike Inc. publishes Sustainability Reports every two years, presenting data of the previous two fiscal years.

This considerations have been made through the analysis of documents available on the corporate website of the three companies under the section dedicated to Sustainability Reports.

In these tables, the underlined lines represent the selected sustainability reports for the analysis.

<b>ADIDAS GROUP</b>		
<b>SUSTAINABILITY REPORTS</b>		
<b>YEAR</b>	<b>SR</b>	<b>Name of Reports</b>
2000	x	Social Environmental R. - OUR WORLD
2001	x	Social Environmental R. - CLEARER
2002	x	Social Environmental R. - BEHIND OUR BRAND
2003	x	Social Environmental R. - STAYING FOCUSED
2004	x	Social Environmental R. - TAKING ON CHALLENGES, WHENEVER WE OPERATE
2005	x	Social Environmental R. - CONNECTED BY FOOTBALL
2006		The Integration of our Social and Environmental Programmes in 2006 - Questions and Answers
		Website content (March)
2007	x	Corporate Responsibility Report - Striving to Improve Performance
		Printed Review - Giving 110% - Our efforts to be a responsible business in 2007
		Website content (May)
2008	x	Sustainability Report - SPORT MATTERS
2009	x	Sustainability Report - TEAM TALK
2010	x	Sustainability Report - PERFORMANCE COUNTS
2011	x	Sustainability Progress Report - PERFORMANCE COUNTS
2012	x	Sustainability Progress Report - NEVER STOP
2013	x	Sustainability Progress Report - FAIR PLAY
2014	x	Sustainability Progress Report - MAKE A DIFFERENCE
<u>2015</u>	<u>x</u>	<u>Sustainability Progress Report - HOW WE CREATE RESPONSIBLY</u>
2016	x	Sustainability Progress Report - CALLING ALL CREATORS

**Total # 16**

Table 9 Adidas Group's archive for Sustainability Reports, personal elaboration

<b>NIKE INC.</b>		
<b>SUSTAINABILITY REPORTS</b>		
<b>YEAR</b>	<b>SR</b>	<b>Name of Reports</b>
2001	x	Corporate Responsibility Report
2004	x	Corporate Responsibility Report
2005	x	Corporate Responsibility Report
2006		
2007	x	Corporate Responsibility Report
2008		
2009		
2010	x	Sustainability Business Performance Summary
2011		
2012	x	Corporate Responsibility Report
2013		
<u>2014</u>	<u>x</u>	<u>Corporate Responsibility Report</u>
<u>2015</u>		

**Total # 7**

Table 10 Nike Inc.'s archive for Sustainability Reports, personal elaboration

<b>ASICS</b>		
<b>SUSTAINABILITY REPORTS</b>		
<b>YEAR</b>	<b>SR</b>	<b>Name of Reports</b>
2009	x	CSR REPORT
2010	x	CSR REPORT
2011	x	CSR REPORT
2012	x	CSR REPORT
2013	x	CSR REPORT
2013/2014	x	Sustainability Report
		GRI Index & Performance Data
		Highlights Sustainability
2014		GRI Index & Performance Data
		Highlights Sustainability
<b>2015</b>	<u>x</u>	<b>Sustainability Report</b>
		Highlights Sustainability
		GRI Index & Performance Data
2016	x	Sustainability Report
		GRI Index & Performance Data
		Highlights Sustainability

**Total # 8**

Table 11 Asics's archive for Sustainability Reports, personal elaboration

#### 4.1 Presentation of Sustainability Reports (SRs)

This is a general overview of the latest<sup>32</sup> Sustainability Reports (SR) chosen for the analysis. One of the points of attention in the analysis was to assess whether there has been an harmonization in terms of sustainability reports among companies from different geographical areas, as it was anticipated in the previous theoretical first chapter.

The expectations of the our analysis are partly influenced by the academic evidence for an ongoing standardization, but at the same time the scope of the elaboration is to relate possible differences emerging between companies with the impact of national culture.

The table, presented in the paragraph where the methodological structure was introduced, has been here divided in two parts, to facilitate the argumentation. The part below summarizes fundamental information about the reports.

<sup>32</sup> Adidas Group and Asics recently published the Sustainability Report for the fiscal year 2016. To facilitate comparison among reports, the choice has been addressed to 2015 FY reports, which at the time of the analysis was the latest report available.

	NIKE INC.	ADIDAS GROUP	ASICS
<b>REPORT PROFILE</b>			
Name of the Report	Sustainable Business Report	Sustainability Progress Report "How we create responsibly"	Sustainability Report 2015
Reporting Period	FY 2014/2015	FY 2015	FY 2015
Date of the most recent previous report	FY 2012/2013	FY 2014	FY 2014
Reporting Cycle	Biennial	Annual	Annual
Implementation of SR through a global reporting standard as a support	GRI Standard (G4) <i>with references to UNGC Principles</i>	NO	GRI Standard (G4)
Level of adherence to Standard	Not specified (GRI Index included in the report with reference to UNGC principles)	NO	in accordance with the guidelines "core" option (GRI index is not included in the report)
Reporting Scope	Global	Global	Global
Nature	Social/Environmental	Social/Environmental	Social/Environmental
External assurance	NO (only internal auditing)	NO	Yes, PARTIAL primarily on CO <sub>2</sub> emissions ( <i>see attached letter by external assurance Deloitte</i> )
Availability of report for consultation	Corporate Website, GRI Database	Corporate Website, GRI Database	Corporate Website, GRI Database
N. of Total pages	115	88	46
<b>INFORMATION ABOUT COMPANY</b>			
Company Business Description	YES (brief description)	NO	YES (Brief description)

Table 12 Personal elaboration

The title is the first thing that the reader usually reads and it serves to introduce the content and the purpose of the report. For its characteristics, in the context of sustainability disclosures, the name plays a fundamental role, since it helps to better understand the document (*e.g. Is it a sustainability or integrated report?*) and the intention for its editing (*e.g. Is it reporting about CSR in general, or just about environmental topics?...or social ones? Is it referring to the performance of year...?*). The choice of a specific title could also be seen as a useful manner to better understand which is the slant given to the communication through reporting.

In this case, the titles chosen by the companies for their reports are slightly different, while Asics calls it *Sustainability Report*, the most common name used for these types of reports, Adidas Group and Nike personalize the titles of the report. The choice of Asics directly recalls the appliance of the GRI standard, which has first connoted the report with the appellation of Sustainability Report. Adidas Group added to the title the word "*Progress*", with the implicit intention of the company to evidence the continuity of its commitment to sustainability, in continuous evolution. On the other side, Nike Inc. defined its report as



“*Sustainable Business Report*”: tacit in this title, there is the intent to present itself first of all as a sustainable business.

As regards the *reporting scope*, all three company develop their sustainability reports in order to address the discourse about their global activities to a global and broad audience.

This is surely the consequence of their competitive and leading position in the footwear market, which has made their brands recognizable all over the world.

As already stated in the previous chapter, the SRs selected are those published in 2016 and the ones referring to the precedent fiscal years. The *reporting period* chosen for sustainability disclosures are different between companies. As we can infer from the table above, two out of three SRs (Adidas’ and Asics’s) disclose the results achieved during the fiscal year 2015. The only exception is represented by Nike, which decided to report every two years. It is important to underline how the choice of reporting period is, for all three companies, in continuity with their past published reports (this is visible also by reading the tables in the previous paragraph, exposing the number of SRs issued and available in the corporate website).

What these reports have in common is the fact that SR permits the companies not only to show 2015 FY (last year) sustainability performance results and commitments, but it also enables them to inform stakeholders about what they have achieved in the last four/five years, together with the future plans and settled targets to be achieved in 2020.

Every company has a dedicated part in which they talk about last five years: Adidas Group has a whole part (*around 8 pages*) with “*Our performance Review 2010-2015*); Asics reported about “*2015 Targets and Progress*” by stating that “*2015 fiscal year was the last year of our 2011-2015 Strategic Asics Growth Plan*” (*at page 9*); as the other two, Nike Inc. frequently cites 2015 targets as propositions thought to be achieved in the period 2011-2015.

Many empirical researches have striven to study and explain the motivations for different approaches to SR, in particular by lingering over the implementation of particular global standard (preferably GRI standard) or other principles, like UNGC’s. Due to academic attention given to that issue, the evaluation of the use of any global reporting standard as a guideline becomes even more significant.

The *sustainability disclosing system* is presented by all three companies, but in different terms. The difference originates depending on the choice of adhering to G4 Standard and to which degree the companies apply the guidelines.

Nike and Asics followed G4 in the editing process: while American corporation includes GRI Index within the report and prepares a detailed section for reporting description, Asics separates the G4 Index from the report, by creating two distinct documents<sup>33</sup>.

Adidas Group's report, on the contrary, does not make any reference to a particular global standard initiative for reporting. Although the report does not mention GRI index, in this section of the corporate website the corporation says that "*we recognize that the GRI Guidelines are the international benchmark for sustainability reporting. Therefore, we use the GRI to inform our sustainability reporting and, in accordance with the G4 Core Guideline version, we present here a content index highlighting where we have covered the GRI indicators in our reporting. Cross-references are made to our online sustainability report, our corporate website and our Annual Report*". This indicates that Adidas Group is conscious of the importance of GRI, but it makes use of it in an unconventional manner, not as Nike and neither as Asics did (the Japanese company is the only one which, more than others, respect the requirements and arrange its report with the result of being recognized as fully compliant). While Asics demonstrates its commitment to give a transparent, comparable and clear disclosure only by adhering to GRI Standard, Nike Inc. and Adidas Group reserve a space where they confirm to the reader their dedication to these concepts.

Adidas Group confirmed its effort to constantly provide information about sustainability performance through instruments like corporate website, which enables them to upload and keep data always up-to-date. To better understand the message that the German company wants to convey with sustainability disclosing, it is fundamental the reading of "*Reporting Approach*<sup>34</sup>" in the corporate website. The underlying concept is that the Sustainability Report represents a snapshot of sustainability business performance, until a precise moment, while the corporate website permits to keep stakeholders always informed about the latest activities and results.

In sum, all three companies state their commitment to the principles of transparency and clarity of information conveyed in the report and, even outside it, in corporate website, but in different terms. Adidas Group writes "*we strive to report in the most accurate, clear and reliable way possible*" (page 5) and Nike says that the company "*continues to seek quality and transparency in our performance management and reporting*" (page 89). Explicit

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<sup>33</sup> Both available in the archive section of corporate website.

<sup>34</sup> <https://www.adidas-group.com/en/nachhaltigkeit/berichte-policies-und-daten/ansatz-zur-berichterstattung/>

It emerged also that Adidas publishes periodically also another document, which particularly concentrated on environmental aspects, which is the "*Green company Report*".

commitments are not usual for the Japanese company, which, by applying the G4 – Standard and by complying with most of the requirements dictated, already demonstrates its responsibility towards transparency, comparability and clarity.

Furthermore, the fact that only Asics provided an external assurance letter to assure that the information conveyed within the report is correct and verified (limiting the external assurance to the aspect of CO<sub>2</sub> emissions) could be the result of Japanese cultural influence: the high level of uncertainty avoidance that Hofstede recognized to Japanese culture makes people more concentrated on avoiding the risk arising from misconceptions or bad perceptions of the readers, by using a defined precautionary external assurance program.

Beyond this findings, it is interesting to highlight how even though the companies share a part with the same denomination, the content changes among them. In terms of information conveyed and space dedicated, for Nike Inc. “*About this report*” is more like a chapter or section rather than a paragraph, which is, instead, the case for both the German and Japanese companies. In particular, the position of the paragraph (at the beginning of the report) and the type of issues treated make evident the need for a brief introduction to the report, other from the CEO’s speech. Any comparison could be misleading since the reasons behind are diverse. The table below summarizes the conclusions.

	Nike Inc.	Adidas Group	Asics
<b>Name of section Reference:</b>	“ <i>About this report</i> ” pages 84-89	“ <i>About this report</i> ” page 5 ( <i>Paragraph</i> )	“ <i>About this report</i> ” page 1 ( <i>Paragraph</i> )
<b>Concepts treated</b>	Value of Reporting, Reporting Guidance, Scope and Methodology; Stakeholder engagement and validity of data	Scope / further sources for S. disclosing	Introduction to topics treated in the report
<b>Notes:</b>	<i>The information are detailed and well-structured</i>	<i>Beyond this paragraph, not much is said about the report editing process</i>	<i>Asics has published two other external documents: in the G4-Index pdf, it is stated the reporting guidance used</i>

Table 13 Personal elaboration

With the declared *approaches to sustainability* in the report examined, the table below summarizes the main concepts.

	NIKE INC.	ADIDAS GROUP	ASICS
<b>APPROACH TO SUSTAINABILITY</b>	<b>"Double our business, with half the impact"</b>	<b>"Sport needs a space"</b>	<b>Founder's "principle continue to guide everything we do" / "A sound mind in a sound body"</b>
Definition of “Sustainability” goals for the future (list the generic goals of the company)	Core strategic aims *Minimize Environmental Footprint *Transform Manufacturing *Unleash Human Potential	*Product We value Water, We innovate materials and processes, We conserve energy *People We empower People, we improve Health, We inspire Action	*Creating Products and services *Partnering with suppliers and workers *Investing in people and community
Time settled to reach future goals	2020 (only for carbon emissions' reduction 2025)	2020	2020
Statement of CEO	YES	YES (It is more a letter than a statement. The tone used is quite informal)	YES (at the very beginning of the report, brief)

Table 14 Personal elaboration

The result that emerges from the table above is that for all three companies sustainability has become a fundamental part of the corporate strategy.

While Nike Inc. has embedded sustainability into its corporate strategy, resulting in the stated *ambition* “*Double our business, with half the impact*” (page 5), Adidas Group communicates that its “*Sports needs a Space*” sustainability approach is strictly and evidently in agreement and allied with the new corporate strategy “*Creating the new*”(page 9). By contrast, Asics uses the Latin meaning of its name (“*A sound mind in a sound body*” page 4) to remember how the corporate philosophy (interestingly they don’t speak about strategy) has always evolved with this *guiding principle*<sup>35</sup>, originated with the founder itself Kihachiro Onitsuka.

Contrary to other two, for the German corporation the general and more ample goals settled for the future changed partially from the past, in the sense that while the mission to be reached for the year 2015 considered also targets for Planet and Partnership, the next declared 2020 goals concentrate solely on Product and Planet.

Interestingly, the results of this analysis show that all three companies structured the report in a similar manner as regards the “position” of the paragraph regarding their future targets; furthermore, they all consider the year 2020 as “*target year*” to reach all these settled goals (the only exception regards Nike Inc. and its carbon emissions’ target which is quite ambitious and reachable only in a longer period of ten years).

In its first section “Our Approach”, Nike Inc. gives space to a deeper definition of the core strategic aims. The pages dedicated are four (pages 17-20 of the report) and the level of information conveyed is particularly detailed: on the left side the targets for “material” issues and on the right the measures to be reached with some notes.

TARGETS <sup>9</sup>	MEASURES <sup>9</sup>
<p><b>PRODUCT:</b> Deliver products for maximum performance with minimum impact, with a 10% reduction in the average environmental footprint<sup>10</sup></p> <p><b>MATERIALS:</b> Increase use of more sustainable materials<sup>11</sup> in footwear and apparel</p>	<p>Greater than 80% of all NIKE, Inc. products will be scored on sustainability performance</p> <p>Source: 100% of our cotton more sustainably (certified organic, licensed to the Better Cotton Standard System for recycled cotton) across NIKE, Inc. by the end of calendar year 2020</p>

Figure 18 Examples for the exposition of 2020 Targets, Nike Inc.

The longest part of the report is left to the exposition of FY 2015 results, activities, commitments, and performance data (KPIs), following their “*aims*”, namely material issues. In particular, the usual structure is composed by some pages of description of the issue and

<sup>35</sup> In Asics’s sustainability report: “This core belief continues to be at the heart of our corporate philosophy to this date” (page 4)

then a description of “*future plans*”. Then some schematic information about 2015 targets and relative achievements are disclosed.

At the end of the report, the “*Additional data*” section presents further actions and results achieved by the company and it functions like a sort of appendix or as a deepened section for empirical data.

As regards Adidas Group, in the first part “*Our Approach*”, the same title as for Nike, the company anticipates to the reader the “*...Strategic priorities for 2020*” (pages 10-15): for every material issue the company gives information as in the picture below.

As already anticipated, the material issues for future strategic approach have been reduced to mainly two (People and Product), with respect to the past so called 4 Ps (People, Product, Planet and Partnership), which are deeply investigated in the following sections where the past performance with respect to FY 2015 is analyzed (for each material issue, firstly in a descriptive manner and secondly with a simplified scheme about the “progress” of achievements (fully, partly or not achieved). A summarized table for the most important highlights for the period 2010-2015 is presented just above the future strategies and it opens the discussion to the actual achievements. Like Nike Inc. did, also the German company leaves a really significant space at the end of the report to speak about the performance data, mostly focused on the supply chain matters.

**WHY IT MATTERS TO SOCIETY:**  
Waste from non-renewable resources, hazardous chemicals contaminating the water supply, and conventionally grown cotton are just a few examples of the severe environmental impacts deriving from material processing.

**WHY IT MATTERS TO THE ADIDAS GROUP:**  
As the availability of non-renewable resources constantly declines, resulting in increasing material costs, we must search for alternative solutions now. This means that we need to replace the non-renewable materials we use, like synthetic fibres such as polyester, but also cotton and various blends. Likewise, our products require man-made chemistry with unique criteria to meet our high-performance functional and quality standards. We address the global waste challenge and resource shortages by actively driving material innovations and closed loop solutions that will reduce our environmental footprint.

**WHAT WE HAVE ACHIEVED SO FAR:**  
The number of environmentally preferred materials we already use is constantly increasing. As an example, 43% of the cotton we sourced globally in 2015 was [Better Cotton](#). In addition, after successfully phasing out all long-chain fluorinated chemicals in 2014, we made major progress on our path to [phase out PFCs](#) in 2015.

**OUR WAY FORWARD:**  
By 2020, we will achieve

- 20% waste reduction at our strategic suppliers<sup>4</sup>
- 50% waste diversion for owned operations to minimise landfill<sup>7</sup>
- 75% paper reduction per employee at our own sites<sup>4</sup>

Figure 19 Examples for the exposition of 2020 Targets, Adidas Group

Asics, which visibly tends to be more synthetic than others two, positions the “*Sustainability Strategy*” for 2020 just before the paragraph with “*2015 Targets and Progress*”: the information conveyed stays in only one page, it is clear and concise. As Nike and Adidas, the Japanese corporation focuses mainly on the actual achievements, like Adidas it categorizes the targets with respect to the degree of accomplishment (*fully, partially or not achieved*).

CREATING PRODUCTS AND SERVICES	PARTNERING WITH SUPPLIERS AND WORKERS	INVESTING IN PEOPLE AND COMMUNITIES
<ul style="list-style-type: none"> <li>Define new product sustainability criteria for Apparel &amp; Footwear products by end 2016.<sup>1</sup></li> <li>5% Absolute CO<sub>2</sub> Emissions Reduction from Direct Operations (Scope 1 &amp; 2, 2015 Baseline).</li> <li>95% waste recovered or recycled at our Direct Operations.<sup>2</sup></li> <li>Establish global ASICS Environmental Management System (including ISO 14001 at all key locations).</li> </ul>	<ul style="list-style-type: none"> <li>All Tier 1 Supplier Factories to meet ASICS C-Level or above.</li> <li>All Tier 1 Strategic Partner Factories to meet ASICS B-Level or above, and self-report via Higg Index Facility Social Module</li> <li>Tier 1 ASICS A- and B-Level Factories trained in self-governance on CSR in combination with ASICS and/or third-party verification (e.g. via implementation of Higg Index or other industry collaborations).</li> <li>All Nominated Tier 2 suppliers meet ASICS C-Level or above.</li> <li>90% of all Nominated Tier 2 suppliers improve their SAC Higg Index Facility Environment Score compared to baseline.</li> <li>10% Reduction of CO<sub>2</sub>, Water, Waste impact per item produced by Tier 1 Footwear.<sup>3</sup></li> <li>90% Tier 1 Strategic Partner Factories improve their SAC Higg Index Facility Environment Score compared to baseline.</li> </ul>	<ul style="list-style-type: none"> <li>Establish global ASICS HR systems and work environment.</li> <li>Ratio of Females in Senior management positions within ASICS Headquarters and ASICS Japan Corporation &gt;10%.</li> <li>Female managers appointed in all business divisions of ASICS Headquarters and ASICS Japan Corporation.</li> <li>Alignment on all global community engagement activities by end 2016.</li> </ul>

<sup>1</sup> Aligned with the SAC Higg Index Product Module  
<sup>2</sup> Sites that are able to measure and report their waste  
<sup>3</sup> 2015 baseline

Figure 20 Examples for the exposition of 2020 Targets, Asics

Not surprisingly, the message from CEO is equally important for companies, since all three include it at the very beginning of the report. It is the tone used by the manager which differs. Herbert Hainer, at that time CEO of Adidas Group, opens the sustainability report with a personal message, a sort of letter addressed to all, corporate stakeholders and other readers. It begins exactly with the sentence “*Dear all*”. Furthermore, the tone is quite informal since it refers directly to the readers by using “*you*” (“*I want to share with you*”, “*...I can already promise you now*” “*Enjoy reading*” page 7). Even if they have called it letter, Mark Parker’s statement for Nike does not resemble a letter, but it is more a “*we*” statement, through which the CEO briefly describes the most salient issues and achievements (characteristics that is in common also with Asics and Adidas). As regards Asics’s President message the tone is more formal than other managers and clearly the shorter among these three reports.

Just below, the final part of the table presented in the methodological chapter filled with the information.

	NIKE INC.	ADIDAS GROUP	ASICS
<b>CRITICAL STAKEHOLDERS</b>			
Evidence for Stakeholder groups to whom the company communicate	NGOs, competitors, academics, community, investors, customers, suppliers, contract manufacturers	Suppliers, consumers, costumers, NGOs, community etc... <i>(There isn't a clear section that define ; stakeholders can be extrapolated from single sentences in different sections)</i>	Customers, shareholders and investors, employees, business partners, NGOs, Regulators, Academic partners, industry associations, communities.
Stakeholder engagement	Asked stakeholder feedbacks for sustainability reporting	N/A	Engagement's examples are given for every stakeholder.
<b>MATERIALITY TOPICS</b>			
Evidence for the material “Aspects”	YES, through <b>Materiality Assessment Map</b>	YES, the identification process is <b>not</b> presented	YES, through <b>Materiality Matrix</b>

Table 15 Personal elaboration

Consequently to the fact that Adidas Group does not follow as others the GRI standard, the information about stakeholders and their engagement and the materiality matters, which are indeed required and suggested by the global standard, is not fully present in the report for

German company. The reason for the lack of information or poor quality of exposition about the topic are therefore massively influenced by this aspect. This doesn't permit any solid comparison between the results of companies.

Below, the materiality issues as proposed by companies.

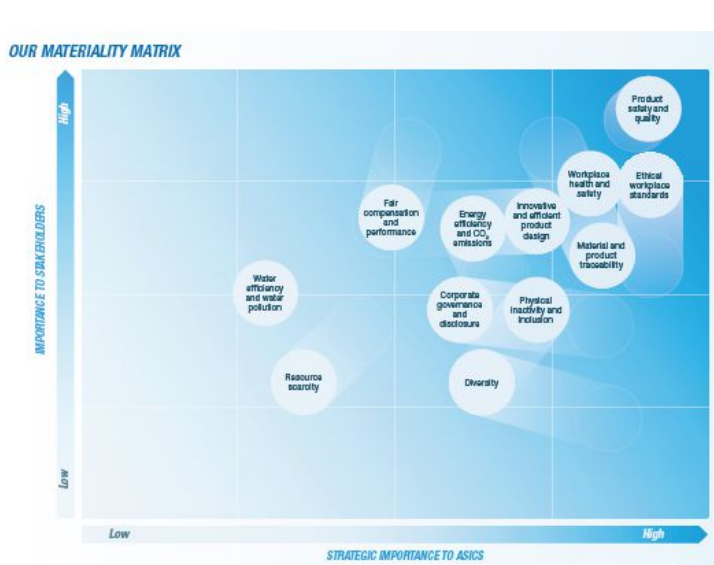


Figure 22 *Materiality Matrix*, Asics's Sustainability Report 2015



Figure 21 *Materiality Assessment Map*, Asics's Sustainability

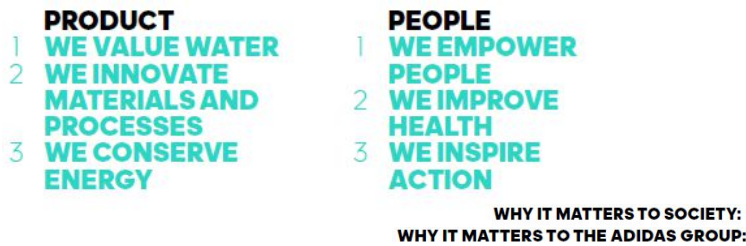


Figure 23 *References to Material Aspects of Adidas Group*, Asics's Sustainability Report

### Additional considerations

This section wants to be an additional source of information for considerations that have come forth reading the reports and which has not emerged from the tables presented in the paragraph 3.3.

All three companies share the common practice of adding *Hypertext link* that are connected to external sources of information. This is fundamental to understand how SRs are only one of the tool that companies use to report and, specifically, to highlight the importance of conveying always up to date information to stakeholders.

At the bottom of certain pages, Adidas Group and Asics add the possibility to consult external documents, corporate website, blogs and news archive and other corporate sources, more than what Nike did in the argumentation, except for the G4 index, attached at the end of the report, for which it was indispensable the reference to external links. Differently from Asics and Adidas, Nike Inc. includes also links to NGOs and partners' websites to publicize their activities.

## 4.2 The analysis of the content

### 4.2.1 Considerations about Indexes

The table below reports the main sections of each report's Index, the title given by the companies to these principle matters and the space (in terms of pages) given to each broad topic, as well as the direct references within the report. These indexes serve therefore as a picture for an initial consideration.

<i>Nike Inc.</i>			<i>Adidas Group</i>			<i>Asics</i>					
SECTIONS	# Pages	Reference	SECTIONS	# Pages	Reference	SECTIONS	# Pages	Reference			
1	INTRODUCTION	3	p. 2-4	1	OUR APPROACH	21	p. 5-25	1	OVERVIEW	13	p. 1-12; 43
2	OUR STRATEGY	7	p. 5-11	2	PEOPLE	10	p. 26-35	2	CREATING PRODUCT AND SERVICES	15	p. 13-27
3	OUR APPROACH	9	p. 12-20	3	PRODUCT	8	p. 36-43	3	PARTNERING WITH SUPPLIERS AND WORKERS	10	p. 27-36
4	MINIMIZE ENVIRONMENTAL FOOTPRINT	29	p. 21-49	4	PLANET	8	p. 44-51	4	INVESTING IN PEOPLE AND COMMUNITIES	5	p. 36-40
5	TRANSFORM MANUFACTURING	16	p. 50-65	5	PARTNERSHIP	6	p. 52-57				
6	UNLEASH HUMAN POTENTIAL	12	p. 66-77	6	PERFORMANCE DATA	30	p. 58-87				
7	GOVERNANCE AND POLICY	6	p. 78-83								
8	ABOUT THIS REPORT	6	p. 84-89								
9	APPENDIX	23	p. 90-113								

Table 16 Indexes of three Sustainability Reports, personal elaboration



As already emerged in the last paragraph the reports differ heavily in terms of number of *total pages written*. This discrepancy falls back directly to the content and number of topics treated. At a glance, Nike Inc has developed the argumentation into nine focal sections, which brings the number of total pages up. Asics, whose main characteristics in reporting is “synthesis”, presents a clear and shorter index, where titles of each section and the tense (*verb with -ing form*) used reminds the reader about the progress of the company’s continuous work towards sustainability. Some of Nike’s chapters are indeed entitled so as to highlight the imperative characteristics for corporate sustainability goals. Adidas Group’s report falls in between the Japanese and American as regards the total length: the index shows in fact a lower focal sections mainly entitled with nouns.

Furthermore, for each company some of the sections with the highest number of pages have been highlighted with a circle.

What emerges is that Nike spent many pages to speak about one of its most focal aims in the field of sustainability, the minimization of environmental footprint. The major topics discussed are sustainable solutions for *product design* and *use of materials* (renewable, sustainable), *carbon emissions* reduction and *energy* use, *waste* reduction, *water* management and *chemistry* (discharge of toxic chemicals).

The second longest part (*around 23 pages*) is the one called “Appendix” paragraph, where Nike comments mostly on the G4 Index (*taking around 10 pages*) and it goes into detail with several numerical tables with measures/KPIs about waste management, employees’ numbers, product sustainability scoring and factoring ratings (*around 11 pages*)<sup>36</sup>.

Similarly to Nike, towards the end of the report, Adidas Group reserves to “*Performance Data*” the greatest part of its report. However, differently from Nike, the preponderant argument discussed regards the *supply chain* management issues, like social and environmental measures and results from suppliers monitoring. Others issues treated are then, in order, about company’s environmental performance, employees and community donations. The so called “*Approach*” section, the second largest part of the report, clarifies the importance of strategy, with respect to past performance and future targets.

Asics’s “*Overview*” chapter is equally important looking at the pages dedicated to the this introduction to business sustainability principles and performance (as a percentage of total pages): *stakeholder engagement*, *materiality* definition, sustainability *strategy* and future targets, with details about performance progress, are the main arguments.

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<sup>36</sup> “Additional Data” (page 91) present measures like Waste Figures in tons (Landfill, compost, recycling), N. of employees by gender, by ethnicity

Among the material concepts, the ones which have received more attention are those related to *Product* and *Services*: the intention is to highlight Asics's struggle to offer products able to “*support healthy lifestyles*” (page 14) throughout product innovation, reduction of both social and environmental negative impacts, for example improvement of products safety for consumers and workers, reduction of carbon emissions etc...

Moreover, the order that three companies used to treat specific issues can be interpreted as an instrument to understand the urgency of discussion: implicit assumption is that the first topics narrated are the ones that the business consider the most urgent, with the highest interest.

As regards the *order* of argumentation, it is noticeable how:

- *Social* sustainability topics are debated in the last part of Nike's and Asics's reporting for material aspects, whereas for Adidas Group is the first one treated, to which company has addressed the major number of pages with respect to Product, Planet and Partnership which come further. For Adidas, in fact, “People” chapter counts the highest number of pages, as concerns the 4 Ps (the material issues since 2015), not considering the most general sections;
- *Environmental* sustainability play a fundamental role in Nike's program, by counting more than 20 pages (exactly 29 pages), while in the index of Asics the word environment does not even appear.
- *Product and services* are a fundamental issue for the Japanese company, which dedicates around 15 pages; similarly for Adidas, the issues arising from the product manufacturing are a significant argument, which continues to be a corporate material argument also for 2020 strategy.

This first table, just above presented and discussed, requires a deeper study, which is made possible thanks to the detailed *analysis of contents*, since it enables the further understanding of topics (classified through the well-known economic, social and environmental categories) and of how argumentation is developed.

#### **4.2.2 Analysis of contents: economic, social and environmental categories**

This paragraph is focused on the presentation of the results of the analysis conducted through the elaboration of the “*CSR strategies checklist*” of Montiel et. al (2016): to simplify the exposition, the results will be given separately by main categories. It is important to restate an

important premise as regards this part of the analysis: the table employed has been useful as a checklist instrument; any lacking information about a topic (the so called *sub-category*) doesn't imply that the company is not engaged in that specific matter.

The scope of the analysis is not to investigate the type of initiatives taken, the activities done, or the commitments to be satisfied, but to compare the content the reports to identify any differences or similarities in the communication of topics.

### **Economic Category**

What emerges from the analysis of the category is that neither Nike Inc., Adidas Group and Asics really contemplated the alternative to include seriously information about financial performance; exception made for Asics which is the only one that has inserted some data, relatively few, which speak about investments, costs and estimated savings with the “long-term” perspective of integrated reporting.

The results show that these three companies share the same close attention paid to supplier relations management and to the concept of innovation. At the same time, they all share the absence of communication about fair marketing practices and employee compensation.

Especially for “*supplier relations*” sub-dimension, all three companies dedicated a large space to the topic discussion but, however, some differences are still in place (a deeper examination will be done in the below paragraph Supplier Relation).

Exception made for suppliers relations and innovation, for others the information collected is fragmented: the similarities are more evident for Asics and Nike, which share the discussion about the same sub-dimensions (except made for Risk and crisis management and efficiency). Some comments to key sub-dimensions are presented just below.

Economic sub-dimensions	NIKE					ADIDAS GROUP					ASICS				
	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO
Profit generation	DOUBLE BUSINESS; LEADING COMPANY	ROI= return on investment EPS=earnings per share Total revenues <u>TIME SPAN ANALYZED: 2011-2015</u>	X	1	performance	-	-	-	0	-	ONE OF WORLD'S TOP FIVE SPORTS BRAND; WORLD	Net sales (per area and by Product) Net Income <u>TIME SPAN ANALYZED: 2015</u>	-	1	performance
Efficiency	-	-	-	0	-	-	-	-	0	-	ENVIRONMENTAL ACCOUNTING; FUTURE COMMITMENT; INTEGRATED REPORTING	INVESTMENT, COST AND ESTIMATED COST SAVINGS (by investment category) <u>TIME SPAN ANALYZED: 2015</u>	X	2	performance; organizational

	NIKE				ADDAS GROUP				ASICS						
Supplier Relations	SUPPLIERS MONITORING, AUDITING AND INCENTIVATING; VENDOR STANDARIZATION; NEED FOR INDUSTRY GUIDELINES; TRANSFORM SUPPLIER; BUSINESS MANUFACTURING MAP; TRANSPARENCY FOR CHANGE	SMSI Index (Sustainable Manufacturing Index) Sourcing Index) Factoring Ratings # of Factories (by Product engine) ; # of factory Workers ; # of Audits ; Code of Conducts violation	X	3	performance; organizational; monitoring	SUPPLIERS AUDITING AND TRAINING; ENFORCEMENT; SANCTIONS FOR NON COMPLIANTS UPPLIERS; GRIEVANCE SYSTEM; WORKERS ENGAGEMENT; SUPPLIERS SELF-GOVERNANCE INCENTIVES	# SUPPLIERS/LICENCEES (by region, by country, by product range) # AUDITS/VISITS/TRAINING (by region, by country, by type) C-KPI (compliance KPI) E-KPI (environmental KPI) TIME SPAN ANALYZED: 2011-2015	X	3	performance; organizational; monitoring	Supply Chain Management Program: COMPLIANCE; COMMITMENT ; COORDINATION; INTEGRATING	SUPPLIERS RATINGS # AUDITS (by category) TIME SPAN ANALYZED: 2015 (from 2007 for auditing analysis)	X	3	performance; organizational; monitoring
Marketing Practices	-	-	-	0	performance; organizational; monitoring	-	-	-	0	-	-	-	0	performance; organizational; monitoring	
Innovation	SUSTAINABLE INNOVATION; PRODUCT INNOVATION	-	X	2	organizational; generic	SUSAINABLE INNOVATION ; PRODUCT INNOVATION ; TECHNOLOGY; SOCIAL CHANGE	-	-	1	SUSTAINABLE DESIGN INNOVATION;	R&D (Eco-friendly products) investment and Cost TIME SPAN ANALYZED: 2015	X	1	performance; organizational;	
Risk & Crisis Management	-	-	-	0	organizational; monitoring	SUPPLIER RISK EVALUATION ; HIGH ENVIRONMENTAL RISKS SUPPLIERS	-	X	1	SUPPLIER RISK EVALUATION (ENVIRONMENTAL AND SOCIAL PRACTICES)	-	X	1	organizational; monitoring	

Employee Compensation	NIKE				ADIDAS GROUP				ASICS				
Government Relations	-	-	-	0	-	-	-	0	-	-	-	0	-
Ethics in management	Code of Conduct ; Code of Leadership Standard; Codes of Ethic INTEGRATING INDUSTRY STANDARDS	-	-	2	-	-	-	0	-	-	-	1	organizational; monitoring
	COLLABORATION; PUBLIC POLICY	-	-	2	-	-	-	0	-	-	-	1	generic
	PARTNERING WITH JAPANESE AND SUPPLIER LOCAL GOVERNMENT	-	-	0	-	-	-	0	-	-	-	0	-
	GUIDELINES AND CODES OF CONDUCT; INTEGRATING INDUSTRY STANDARDS	-	-	1	-	-	-	0	-	-	-	1	organizational; monitoring

Table 17 Economic Category, Personal Elaboration

## *Profit Generation*

As emerged from the analysis, only Asics and Nike Inc. seemed interested in giving some information (relatively few details) about their economic performance within the SR.

The space dedicated to the discussion (in terms of pages) is however very little: in fact, the length measures 1 point for both company.

It is important to bear in mind that, anyway, the result emerging is that this kind of data is heavily discussed and publicly treated in their annual reports: being all three listed, in fact, the corporations are anyway required to publicize this information. The fact that they do not report (for the “second time”) or, rather, replicate this data, is consequent to the company’s own decision. In this specific case, Adidas Group decided not to replicate its financial data. It is the only company in the sample to avoid any general information about its business: beyond the lacking of financial data, no generic description of its activities, brands and area served are object of communication.

On the other side, Nike Inc informed the reader with KPIs, such as *EPS (in \$)*, *ROI (in %)* and *revenues (in \$)*(all three are referring to a five-year period, to show the progress obtained from FY2011) through the use of charts (each one for every KPIs). The choice of these KPIs could be surely influenced by the importance played by investors and shareholders in the North American business culture. As emerged from the SR, the company sets a significant effort on the corporate strategy which is built to increase the FY2015 30 billion\$ revenues to reach 50 billion\$ in 2020, while halving the business impact.

On the contrary, Asics seemed more inclined in providing evidence for its worldwide expansion: through a geographic map, the company shown the *Net Sales (in ¥)* per area, introducing also the number of countries where the business is present (26 countries) and by product (sports footwear, apparel and accessories). Furthermore, Asics highlighted the *Net Income (in ¥)*. All KPIs presented are focusing on FY2015 results.

Neither Asics and Nike make any reference to how corporate sustainability has brought to the company benefits in terms of profitability; the information is basically introductory since it is useful for the general description of the company.

## *Efficiency*

The only company that reported information which can be traced back to *efficiency* sub-category is Asics. The concept of efficiency emerges from the measures that show how environmental issues management can bring positive results in terms of cost reduction.

Asics traced for each cost category (i.e. pollution prevention etc...) the activities that it has been implemented with the specific investments, costs and *estimated annual savings* in Yen. The numbers refer to FY2015.

The company reveals that this represents an embryonic attempt towards environmental accounting with the “*long-term ambition of integrated reporting*” (page 26).

### *Supplier Relations*

As emerged in the third chapter, the management of supplier relations plays a fundamental role in the sustainability agenda of companies belonging to the apparel and footwear industry. Especially for profitable firms whose business is present in the global market and which are worldwide recognized, the good management of supply chain becomes a priority to avoid risk exposures and impede bad reputation to arise from negligence and bad supplier behaviors. The risks are both linked to social and environmental impacts.

It is not unexpected that that all three companies treat largely the topic of supplier relations management; however, some differences emerged as regards the content, together with the type of information disclosed.

It is observable how Adidas Group and Nike Inc are the companies with the highest presence of performance measures, showing how suppliers are performing in terms of sustainability (separate ratings are given for environmental and social activities), how suppliers are monitored, how company manages episodes of non compliance of standards (for example with the use of warning letters) etc...

For example, the *Performance Data* section of Adidas serves mainly to report about all these results and it represents a really important segment of the report, since it absorbs the biggest part of that section. Differently from other two companies, however, Adidas Group does not give much room for the description of supplier relations management but it preferred the inclusion of numerical data (in the forms of *metrics and KPIs for supplier assessments*).

Adidas discloses the number of suppliers, divided by region and area, so as Nike, which, in addition, makes reference to a Manufacturing Map (*hypertext link* for consultation), where the reader can find the updated list of suppliers with their names, locations and demographic information.



On the contrary, Asics does not even mention this type of information, which makes the understanding of the actual dimension of suppliers network (with whom the company collaborates) really difficult to identify.

The information conveyed by Nike is not just about performance, but also about how the company manages operations, the social and environmental impact on each phase of corporate supply chain and its approach to transform manufacturing (throughout innovation and technology). It is important to highlight the evident and transparent interest to improve manufacturing, with aim of building a successful business model, from which both company and suppliers can benefit.

The implicit message is that contracts vendors need to comply with Nike standards and transform their business in order to reach “*product excellence*” (page 50). The approach, which sounds more as a strategic intention, is to innovate and transform manufacturing , by “*focusing on quality, long-term partnerships with fewer factories*” (page 51).

Japanese company dedicated a more focus on the description of the suppliers relations management program (as you can see from the figure above), which has been designed as “*rigorous*” system to “*maintain and improve standards*” (page 29).



Figure 24 Supply Chain Management system by Asics, Sustainability Report 2015

The company developed the analysis through the two fundamental points that made up the process, which are *compliance* and *commitment*.

Suppliers are also “categorized” by companies, which provided those classifications in the report. The methodologies used are however different, which makes the comparability of supplier ratings difficult to carry out.

Nike’s suppliers are with respect to their sustainability performance, calculated by monitoring their level of compliance to social and environmental requirements, like Code of Ethics or codes of Conduct.

The categories used for suppliers description are gold, silver, bronze, yellow and red, where bronze suppliers are considered at the base level, since they “*meet compliance with our Code of Conduct and show commitment to lean manufacturing*”(page 52).

To measure overall performance of suppliers Nike uses the so-called *SMSI Index* (Sustainable Manufacturing and Sourcing Index) as tool which “*assess sustainability across the environment and labor practices*” and as “*an indication of the robustness of Nike’s performance measurement tools and commitment to continuous improvement in manufacturing practices*” (page. 58). Past performance (always studied along a five-year period) and future target (settled in 2020) are in fact using SMSI Index as a key instrument for monitoring.

Adidas defined suppliers ratings by using mainly two instruments for assessment:

- C-KPI: social compliance ratings
- E-KPI: environmental compliance ratings

The resulting compliance ratings go from 1C (when there exist severe compliance issues) to 5C (when there is not any compliance issues).

Asics uses another evaluation method which categorizes suppliers from 1 (below standard) to 5 (best practice): the audit criteria are mainly regarding social conducts (forced labor, child labor, abuse and harassment, wages, discrimination and hours of work).

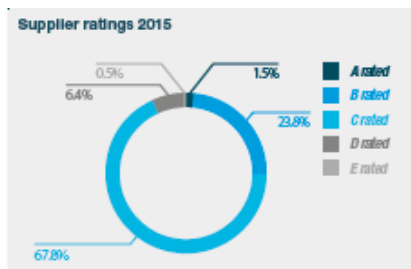


Figure 25 Supplier Ratings, Asics

#### FACTORY RATINGS AND TRENDS

TOTAL PER RANK	FY11	FY12	FY13	FY14	FY15
Gold	0	0	0	0	0
Silver	0	0	<1% / 1	1% / 4	1% / 4
Bronze	49% / 454	70% / 639	68% / 536	74% / 533	85% / 589
Yellow	37% / 344	21% / 193	20% / 156	16% / 115	8% / 54
Red	6% / 53	6% / 51	10% / 77	8% / 61	6% / 41
No Rating	8% / 79	3% / 27	2% / 16	1% / 6	1% / 4
<b>TOTAL</b>	<b>100% / 630</b>	<b>100% / 910</b>	<b>100% / 765</b>	<b>100% / 719</b>	<b>100% / 692</b>

NOTE: Percentages may not add to 100 due to rounding.

Figure 26 Factory ratings, Nike Inc

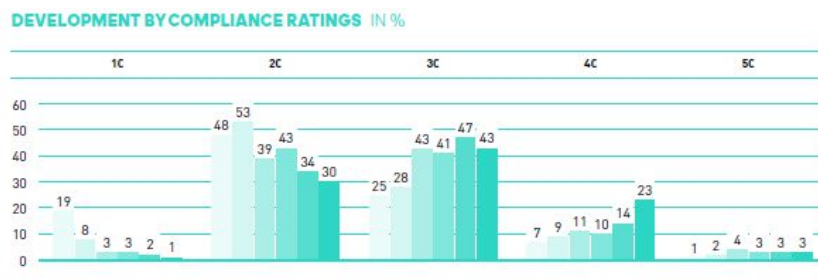


Figure 27 Examples of indicators about suppliers compliance, Adidas

Interestingly, what could be found largely in Nike Inc.’s report is the consideration that individual corporate commitments are “not enough” considering the actual general supply

chain and its huge impact within the industry: Nike stressed a lot the importance for a transformation in the apparel industry, bringing “*a unified code of conduct and standardized auditing process*”(page. 59). The message is clear and highlights the importance of the “*Convergence of standards to accelerate the change*” (page 61). The issue emerged in particular while referring about the existence of suppliers which works with different brands and which are use different code of conducts and different assessing methods, by bringing confusion and bad practices.

### *Innovation*

The concept of innovation and sustainability is a theme which emerges in a more evident way in the report of Nike: in fact, just at the beginning of the report, the company speaks about “*The innovation Imperative*” and says the “*mindset of innovation is about more than the final product*”. This deduction comes from the consideration about the length of the narration dedicated to the concept.

Equally present is the concept of innovation in Asics’ and Adidas Group’ reports, where there isn’t a dedicated paragraph, as for Nike, but there is a continuous reference to the ideas of sustainable innovation and product innovation. Adidas approaches the topic by affirming the need of innovation in the use of materials and to permit change of water usage to happen.

As regards Asics and its idea of innovation, the Japanese company invests in innovation as instrument for product evolution and perfection (see example of *Metarun*<sup>37</sup>), to provide final products that support athletes in their activities and final consumers.

The type of information proposed is for all three mainly organizational since they give a general idea of how innovation is implemented in sustainability; it is Asics that adds an indicator about the amount for R&D investments, limited to sustainable issues. The information is however difficult to identify in the report, since it is inserted in a table, under the title of the paragraph “*Environmental accounting*”.

### **Social Category**

At a first glance, the results that emerge from social category’s analysis could show a general tendency of harmonization in the discussion since all three companies approach topics like human rights, employees programs, philanthropy and occupational health and safety (etc...). However, some differences are still in place: when the focus of the analysis is shifted to a

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<sup>37</sup> Metarun is a high performance running shoe, which is lighter than other models and has enhanced durability.

deeper examination about type of information, performance measures and length of the discussion, for example, some dissimilarities are evident.

Among companies, Asics is the firm which speaks less in the discussion of its social activities and commitments: information is often generic because it concentrates on explaining ongoing activities and general commitments; when present, performance measures are usually referred to FY 2015 and the future targets are difficult to address and distinctly find.

Contrary to Japanese company, Adidas Group and Nike Inc. seem to reserve much more attention to social category in terms of pages (*length*) and the level of detail for each topic.

The indicators provided are more than those used by Asics and some of them are the same or really similar, for example in the case of “employee programs/employment” sub-dimension.

The general time span analyzed is wider than for Asics: Nike Inc. provides data starting from the FY 2011, while Adidas Group from 2013.

Interestingly, all three companies do not cite any activity related to consumer relation management, which is here interpreted as customer satisfaction management and customer feedback process.

About consumers, there is a only vague allusion that Nike Inc. made, while talking about stakeholder engagement, which refers to the importance of consumers, together with other external stakeholders, for their feedback to sustainability reports. Given its marginal importance within discussion, we did not consider while filling the table in.

Just below some sub-dimensions will be discussed and commented.

Social sub-dimensions	NIKE					ADIDAS GROUP					ASICS				
	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO
Employee Programs/	DIVERSITY; INCLUSION; UNLEASH HUMAN POTENTIAL; GENDER; ETHNICITY; CAREER GROWTH	# OF EMPLOYEES/MANAGERS (by gender, by ethnicity, by distribution) # OF TRAINING TIME SPAN ANALYZED: 2011-2015	X	3	performance; generic	EMPLOYEES/MANAGEMENT; COLLABORATION; LEADERSHIP; GRIEVANCE SYSTEM; DIVERSITY	# EMPLOYEES/MANAGERS (by gender, by region) TIME SPAN ANALYZED: 2013-2015	X	2	performance; generic	DIVERSITY; RESPECT; HUMAN RESOURCE PROGRAM	# TOTAL EMPLOYEES TIME SPAN ANALYZED: 2015	X	2	performance; generic
Occupational Health & safety	HEALTH; WELLBEING; SAFETY	RECORDABLE INJURIES + LOST-TIME RATES (by distribution, manufacturing, offices) TIME SPAN ANALYZED: 2011-2015	X	2	performance; generic	HEALTH; SAFETY	INJURIES + LOST TIME (by offices, production, distribution) TIME SPAN ANALYZED: 2013-2015	X	2	performance; generic	HEALTHY LIFE STYLES THROUGH SPORT	-	-	1	generic
Human Rights	OCCUPATIONAL HEALTH; EXCESSIVE OVERTIME; COMPENSATION; INNOVATING THE ROLE OF WORKERS	-	X	2	generic	HUMAN RIGHTS DUE DILIGENCE; EMPLOYEEMENT; FAIR WAGE	-	X	2	generic; organizational	COLLABORATION TO IMPROVE WORKING CONDITIONS	-	-	1	generic

	NIKE				ADIDAS GROUP				ASICS				
	COMMUNITY INVESTMENTS ; EMPOWERMENT OF EMPLOYEE	% OF PRE-TAX INCOME for INVESTMENTS EMPLOYEE CONTRIBUTION \$	TIME SPAN ANALYZED: 2012-2015	PERFORMANCE; generic	REFUGEES; COMMUNITY AFFAIRS	DONATIONS IN € UNITS OF PRODUCT DONATED; VOLUNTEER HOURS	TIME SPAN ANALYZED: 2013-2015	PERFORMANCE; generic	LOCAL COMMUNITY; ELDER PEOPLE; VOLUNTEERS M; EDUCATION in DEVELOPING COUNTRIES	FINANCIAL CONTRIBUTIONS/ DONATIONS OF GOODS IN \$	TIME SPAN ANALYZED: 2015	PERFORMANCE; generic	PERFORMANCE; generic
<b>Philanthropy &amp; Volunteerism</b>		X	2	performance; generic		X	1	performance; generic		X	2	performance; generic	performance; generic
<b>Product Responsibility</b>			PRODUCT SUSTAINABILITY INDEX SCORING (by apparel and footwear)	performance			0		S-LCA= product social life cycle assessment; (model GEL KAYANO 21)	PRODUCT RECALLS RISK of PRODUCT GEL KAYANO 21	2	performance; organizational	performance; organizational
<b>Consumer relations management</b>	-			-			0			TIME SPAN ANALYZED: 2011-2015	-	-	-

Table 18 Social Category. Personal elaboration

What emerges from the analysis is the common interest for the concept of *diversity*.

That is what Nike Inc. writes about it, in the section called “Unleash Human Potential: *“we have developed a thoughtful plan to increase the diversity of our workforce and leadership teams. We will accomplish this through recruitment, development and retention of diverse talent, with an initial focus on women and people of color and the goal of reflecting the diversity of the consumers we serve and the communities where we live and work”*”. What emerges is the safeguard of people of color and women, that are themes of ethnicity and gender: consequently, a high number of tables with numbers of employees and % over the total employees per ethnicity and gender are given, as a demonstration of Nike’s considerations over the weakest categories.

Adidas has developed a “*Global diversity approach*”, which is aimed at building “*a work environment allowing for appreciation of all employees*” (page 18). In particular, the company mentions an initiative that they have jointed which is called “*Diversity Charter*” or the signing of the Declaration against Homophobia in sport.

The same is for Asics which encourages diversity and respect for all: specifically, we highlight the paragraph “*Strength through diversity*” , by citing Asics’ statement “*ASICS is a team of 7,263 people working all over the world. Because we believe that diversity is essential for innovation, we do everything we can to encourage a diverse workforce and working environment. We want all voices to be heard and everyone to have the opportunity to succeed*” (page 39).

Furthermore, Nike and Adidas share the common effort spent on pushing employees to be competitive and successful, by stimulating them to grow professionally and as leaders, by empowering them to take the control of their careers. For example, we cite a title of one of Adidas’ paragraph “*Creating the new: how our employees are empowered to take ownerships of their careers*” (page 24) and Nike’s observation at page 71 “*The potential of every NIKE employee is part of our competitive advantage in fueling growth. That’s why we provide a suite of compelling compensation and benefit programs to encourage the best from our teams. With an emphasis on pay for performance and market competitiveness, our programs are designed to attract and retain top talent, reward business results and individual performance, while maximizing shareholder value*”

These concepts are not present in Asics report, which concentrates more on the discussion of diversity programs and Human Resource management, a system elaborated by the company to

support employees globally. Globally, we find that Asics did put a lot of effort in this argumentation.

Among all the dimensions of the social category, the “*employee programs/employment*” sub-dimension represents for Nike Inc. the topic with the most number of indicators.

The indicator which is included in all three reports is the one that defines the number of employees: Asics provide only the total number of the FY 2015, while Adidas declines the number of employee/managers by type (gender) and by space (by regions). Nike stresses both gender and ethnicity, which emerges preponderant in the discussion of diversity.

### *Occupational Health & Safety*

This sub-dimension represents the activities and commitments that companies developed for the employee safety and to incentivize healthy lifestyles. As in the previous case, Nike and Adidas share the same indicators about recordable injuries and lost time rates by distribution, manufacturing and offices.

It is interesting to notice how the commitment towards employee safety and health programs is also extended to workers employed in external suppliers, for which the company monitors behavior and settle future actions to safeguard their ultimate health conditions. Once again, the importance for company of managing and monitoring suppliers operations becomes a critical issue to decrease the rise up of possible social risks along the supply chain, for which company could be accused of negligence and, lastly, be damaged by bad reputation. This is valid also for Asics and Nike, for the last company in a more ample way (given the importance given).

Asics’s approach to employee health and safety is more directed towards the construction of working environments “*that helps and encourages employees to lead healthy lifestyles. Many of our global offices have changing rooms, showers and a gym area. Employees take part in activities such as boot camp classes, yoga or team sports, and employee committees regularly organize sports or social events that allow our employees to have fun and socialize with colleagues outside the work environment.*” (page 38).

Also Nike Inc. promotes healthy lifestyles to its employees, by writing “*As a brand committed to sport and fitness, we actively encourage our workforce to engage in a healthy lifestyle to the best of their ability. In fact, we see health as a imperative for a high-performing workplace culture*” (page 70). It also provides information about how company reacts to avoid risks of injuries with “*proactive, continuous learning model*”, which also implies the coordination with employees and their declared safety needs.



The time span analyzed is however different and coherent with all other indicators in the report (FY 2011-2015 for Nike and FY 2013-2015 for Adidas).

### *Human Rights*

As emerged from the results of the analysis of these companies belonging to this specific industry, human rights issues turn around the rights of workers employed in the factories of suppliers.

The management of supplier relations together with the control over their social conduct towards workers to avoid the abuse and exploitation are in fact particularly felt within the apparel industry (given the episodes of accidents which has brought only bad reputation).

For Adidas Group the concept of empowerment of employees is also valid and applicable to workers, for which Adidas strives for the recognition of labor rights, in primis for their fair wages and also for female workers.

In particular, it has emerged how Adidas was the first company in the world to implement grievance mechanisms for workers in order to address and identify human rights violation.

As evidence of the importance of human rights safeguards, together with the attention given to social risks management, we mention the program “*Human Rights due Diligence*” (page 27), which “*describes the process of how a company identifies, prevents, mitigates and accounts for how it addresses its actual and potential adverse human rights impacts and those of its business partners. This includes specific elements and processes such as Country Risk assessments, operational reviews, preventive action, remediation, complaints procedures, internal reporting and public reporting*”. The search for human rights safeguard and respect is applied at corporate level and also all along the supply chain.

Asics focuses the attention on the need for collaboration with suppliers so as to improve workers situation in factories: beyond monitoring and auditing riskier suppliers, the important step is to improve their conducts with collaboration and cooperation.

In this case, the process of the identification of performance measures has not conducted to the recognition of indicators: however, it is observable how Nike Inc. tries to give a pragmatic idea of how its commitment has brought good results to workers by dedicating some paragraphs to the so called “Pilot” programs in some countries. For Nike, the imperative of its actions in this field is “*Innovating the role of Workers*” “*by investing in the skills and capability of workers and promoting collaboration between workers and manager to support a more sustainable manufacturing model*” (page 54): the principal scope of its strategy is to improve the productivity levels and the quality of products.

## *Philanthropy and Volunteerism*

This topic is basically shared by all three companies, which gave quantitative data of financial contributions and donations (value of goods offered) that the company reserved and will be reserved in the future for community. Together with direct donations of companies, the employee volunteerism has been highlighted by all as an important offering to help communities, by showing the employee contributions (Nike), the volunteer hours (Adidas) and by citing a quotation of an employee who described its experience as volunteer (Asics).

Some peculiarities have emerged in the qualification of community: for Adidas, donations are addressed to help refugees, while for Asics those charitable donations are useful to improve life of older people, young athletes in developing countries.

### **Environmental Category**

The table “Environmental category”, which summarizes the results of the analysis, shows a particular uniformity of three reports since they share the presence of the same macro topics; this indicates that generally Adidas, Nike and Asics report and argument about the same environmental “macro” issues.

With a more critical eye, however, it is undeniable that the topics are treated in different ways, the key focus changes and indicators used are sometimes not comparable since the quantitative elaborations are showing different aspects of an issue.

We can conclude that there are still some dissimilarities especially in the indicators used by companies.

Such as in the case of economic and social categories, also here, in this section, the time span analyzed is different between companies. But, contrary to what emerges in social category, where Asics provided indicators showing only last year performance, while other two firms used a wider range, in the environmental section it is Adidas that focused only on data showing results for FY 2015 and Asics expanded the time span analyzed by studying a period of time of five years. As regards the resulting attention given by each company to environmental reporting within the analyzed SR, it is important to say that Adidas Group usually prepares a *Green Company* report, external to SR and published in the corporate website, which has as focal point the disclosures of impact of its activities and future commitments regarding principally the environment and all related issues. Consequently, the

reason for which the environmental issues are sometimes not presented in details by Adidas could be found in the decision of the company not to replicate already existing data.

What emerges is also that Nike Inc. is the company which gives more attention to the environmental issues in terms of pages dedicated and of indicators shown, giving to the reader the corporate performance perspective. On the contrary, Adidas and Asics provided also organization information in terms of how they manage environmental systems, their policies (like the application of Standards like ISO 14001 or EMAS).

Environmental dimensions	NIKE						ADIDAS GROUP						ASICS		
	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO	Key words	PERFORMANCE MEASURES	FUTURE TARGETS	LENGTH (0-3)	TYPE OF INFO
Energy conservation and Emissions	RENEWABLE ENERGY; ENERGY EFFICIENCY; CARBON EMISSION	Energy consumption (by divisions) Carbon Emissions (by divisions)  <u>TIME SPAN ANALYZED:</u> 2011-2015	X	3	organizational; performance	ENERGY EFFICIENCY; CARBON FOOTPRINT; GREEN COMPANY	% energy savings; energy consumption (by type of site and region)  <u>TIME SPAN ANALYZED:</u> 2015	X	2	organizational; performance	ENERGY EFFICIENCY; CARBON EMISSIONS	CARBON EMISSIONS of direct locations with/without retail operations by type of energy ; C. EMISSIONS by activities (transportation, business travels...)  <u>TIME SPAN ANALYZED:</u> 2011-2015	X	2	organizational; performance; monitoring
Materials Management	MATERIALS INNOVATION; ENVIRONMENTAL LY PREFERRED MATERIALS (EPM); RESTRICTED SUBSTANCES LIST	Material Sustainability Index (MSI)  <u>TIME SPAN ANALYZED:</u> 2015	X	2	organizational; performance; monitoring	SUSTAINABLE INNOVATION; RECYCLED MATERIALS; SUSTAINABLE MATERIAL TRACKING TOOL (SMTT); RESTRICTED SUBSTANCES LIST	% BETTER COTTON VOCs reduction (grams/pair)  <u>TIME SPAN ANALYZED:</u> 2015	X	2	organizational; generic; performance	RESTRICTED SUBSTANCES LIST; CHEMICAL SAFETY; RECYCLED POLYESTER; WATER BASED ADHESIVES	-	X	2	generic
Water issues	WATER RECYCLING TECHNOLOGY; VENDORS'S APPLIANCE TO WATER PROGRAM	% Reduction of Water # Vendors (Water Program)  <u>TIME SPAN ANALYZED:</u> 2011-2015	X	3	performance; monitoring	WATER SAVINGS	Water savings per person; Total Water consumption (per type of site)  <u>TIME SPAN ANALYZED:</u> 2015	X	1	performance; organizational	WATER CONSUMPTION	WATER USE in m3  <u>TIME SPAN ANALYZED:</u> 2011-2015	X	1	performance

	NIKE				ADIDAS GROUP				ASICS						
	NIKE GRIND; FLYKNIT TECHNOLOGY; CLOSED LOOP MATERIALS	% per unit savings; waste management (Grams/pairs) Waste figures  <u>TIME SPAN ANALYZED: 2011-2015</u>	X	3	performance; organizational	SAMPLE REDUCTION; PACKAGING OPTIMIZATION	Household waste reduction; Total Household waste (per type of site); Paper savings; Total paper consumption (per type and site)  <u>TIME SPAN ANALYZED: 2015</u>	X	2	performance; organizational	WASTE AND RECYCLED WASTE; RESOURCE EFFICIENCY	Unitary Waste; Unitary Recycled Waste Waste recycling and recovery  <u>TIME SPAN ANALYZED: 2012-2015</u>	X	2	performance; organizational
Waste management															
Climate change	CARBON EMISSION; CLIMATE CHANGE; PARIS CONFERENCE	-	X	2	generic	MITIGATION CLIMATE CHANGE; PARIS CONFERENCE; LOW CARBON- GROWTH ECONOMY	-	X	1	generic	PARIS CONFERENCE; 2° C DECARBONIZ ATION	-	X	1	generic
Pollution	WATER POLLUTION	-	-	1	generic	PLASTIC OCEAN POLLUTION	-	-	1	generic	WATER POLLUTION	-	-	1	generic
Biodiversity	-	-	-	0	-	-	-	-	0	-	-	-	-	0	-

	NIKE				ADIDAS GROUP				ASICS						
	MEASUREMENT OF PRODUCT IMPACT	Footwear sustainability Index (FSI) Apparel Sustainability Index (ASI) <u>TIME SPAN ANALYZED: 2015</u>	-	2	organizational; performance	SUSTAINABLE PRODUCTS; TECHNOLOGY AND INNOVATION	-	1	generic	PRODUCT LIFE CYCLE ENVIRONMENTAL ASSESSMENT ; HIGG INDEX (environmental)	-	X	1	monitoring; organizational	
Product Stewardship	-	-	-	2	organizational; performance	SUSTAINABLE PRODUCTS; TECHNOLOGY AND INNOVATION	-	1	generic	PRODUCT LIFE CYCLE ENVIRONMENTAL ASSESSMENT ; HIGG INDEX (environmental)	-	X	1	monitoring; organizational	
Environmental management systems	-	-	-	0	-	ENVIRONMENTAL MANAGEMENT SYSTEM; ISO 14001; EMAS	LIST OF CERTIFIED SITES (FROM YEAR) <u>TIME SPAN ANALYZED: 2015</u>	X	2	organizational; performance	MANAGE ENVIRONMENTAL PERFORMANCE; ISO 14001; ENVIRONMENTAL POLICY	-	X	1	organizational
Distribution and Transportation	-	-	-	0	-	COLLABORATION; LOW IMPACT TRANSPORTATION	Freight Typed used <u>TIME SPAN ANALYZED: 2013-2015</u>	-	1	generic	EUROPEAN DISTRIBUTION CENTER; EMISSIONS REDUCTION	CARBON EMISSIONS by Logistics (per type) <u>TIME SPAN ANALYZED: 2015</u>	-	1	performance

Table 19 Environmental Category, Personal Elaboration

*Energy conservation and Emissions and Climate Change*

This topic is particularly discussed within the SRs and it can be recognized as one of the most important priorities that companies have settled for the next future; discussion about energy (*renewable energy, energy efficiency and carbon emissions*) is then reinforced by the recent meeting at the Paris Climate Change Conference (COP21), where the topic of climate change has come forth with all its urgency.

While Asics indicates the level of its carbon emissions by *type of energy* and by activities (transportation, business travels...) for direct locations (with and without retail operations) from a period that goes from FY 2011 to FY2015 and it tries to monitor also suppliers' conduct in this field, Adidas concentrates more on the explanation of how much energy has been consumed and how much it has been saved (by type and by region) for the FY2015.

Nike Inc. appears to combine the two type of information, by including both data for energy consumption and carbon emissions by divisions for the period FY 2011- FY 2015: the progress shows a constant growth of energy consumption and carbon emissions that the derives from the evident increment of Nike's global business (Nike Inc reports the carbon emissions progress in comparison with total revenues).

Environmental data 2015 Group-wide for all locations reporting	Total energy consumption (MWh)	Total carbon emissions (tonne)
<b>Administration offices</b>		
Region EMEA	52,563	5,273
Region AMERICAS	38,768	13,983
Region APAC	5,738	3,548
<b>Administration offices (total)</b>	<b>97,069</b>	<b>22,804</b>
<b>Own production sites</b>		
Region EMEA	4,362	178
Region AMERICAS	30,459	10,812
<b>Own production sites (total)</b>	<b>34,821</b>	<b>10,989</b>
<b>Distribution centres</b>		
Region EMEA	29,907	4,995
Region AMERICAS	43,375	14,001
Region APAC	2,358	1,318
<b>Distribution centres (total)</b>	<b>75,640</b>	<b>20,314</b>
<b>Total</b>	<b>207,530</b>	<b>54,108</b>

Figure 28 *Environmental data 2015, Adidas Group*



Figure 29 *Carbon emissions, Asics*

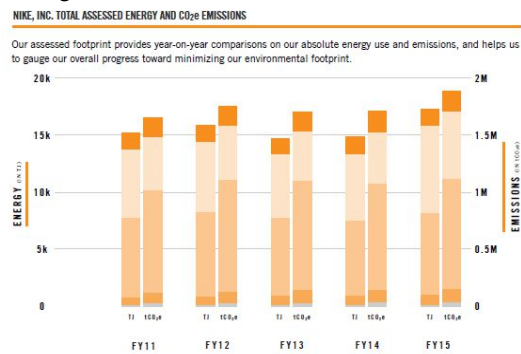


Figure 30 *Energy and Carbon emissions, Nike Inc.*

## *Materials Management and Waste Management*

The use of materials which are sustainable for the environment (and relatively important for the health of workers in factories) is well discussed in all three reports: Asics emphasizes the use of *recycled polyester* and *water based adhesive*; Adidas Group highlights the use of *recycled* materials, *better cotton* and it communicates the use of a *Sustainable Material tracking Tool (SMTT)* to reinforce the idea that the company's technology has been able to develop an instrument for the identification of materials' goodness in order to offer environmentally sustainable final products; as Adidas, also Nike Inc. proposes the indicator for the valuation of materials sustainability, the so called *Material Sustainability Index (MSI)*, which has been elaborated by its team. In addition, Nike Inc. discusses a lot of the need for materials innovation for Nike but also for the entire industry; it speaks also about the idea that the company had to list the *environmental preferred materials (EPM)* for shoes/clothing manufacturing that actually is available and used by other companies in the industry.

All three companies share the common commitment to Zero Discharge of Hazardous Chemicals (ZDHC), since the in the process of manufacturing of apparel and footwear products factories can use erroneous substances which can both have environmental impacts together with severe consequences to workers.

At the same time, companies commit to the correct and efficient management of waste ( for both materials and final products). All three companies show their results through measures of unitary waste, unitary recycled waste and the reduction of waste materials.

## *Product Stewardship*

It represents the corporate management of the environmental impacts of final products (however, sometimes the distinction between environmental and social impact isn't possible to manage separately since companies usually have a complete and embedded vision for social and environmental impact in the discussion of product and services).

Nike Inc. concentrates part of its argumentation to the introduction of Indexes (indicators) developed for the computation of each product: the *Footwear Sustainability Index (FSI)* and the *Apparel Sustainability Index (ASI)* act as fundamental instruments for the decision making process of Nike teams in the phase of products development (FSI for shoes and ASI for clothing). Relatively to this, it is evident how there is a strict linkage with the choice of the materials for product manufacturing.



Asics developed another instrument for the assessment of environmental Product sustainability, which is the so called *Product Life Cycle Environmental Assessment*. The utility of this tool is to study the “*environmental impacts across the value chain and identify priority areas for improvement*”(page 15): not surprisingly, the riskiest part emerged by studying the products analyzed is fabric manufacturing processes. For this reason. Asics committed to deepen the monitoring process of suppliers, help in their assessment by Higg Index and further collaboration with SAC<sup>38</sup>.

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<sup>38</sup> Adidas Group, Nike Inc. and Asics are all members of SAC; their collaboration is active and constant for the elaboration of HIGG index, self-assessment tools for the measurement of social, environmental impact and improve areas where the performance is weaker, towards a better sustainable industry. Among these three companies, Asics is the last one which joined the NGOs, but it is particularly engaged.



# CHAPTER 5

## 5 Conclusions

### 5.1 Discussion of results emerged

In the communication of corporate social sustainability is crucial the capacity of companies to present and explain to critical stakeholders (both internal and external) their approaches to CSR, by enriching their reports with data about past performances and settled future targets.

When companies are used to report on a regular basis, they can benefit from several advantages, like, for examples, the setting up of corporate *better reputation* together with the obtaining of external recognition for *transparency*. However, there are still companies that don't report because they fear the susceptibility of data, because of the expected costs arising from CSR practices and reporting or companies that simply do not make reporting public to external stakeholders.

In the case of Nike Inc., Adidas Group and Asics' approaches, the adoption of SR as an instrument for CSR disclosing is definitely a long established practice (especially for Nike Inc and Adidas which have begun the path of reporting at the beginning of 2000s). The experience accumulated in the field and their undeniable interest for CSR (given the numerous initiatives that they support internationally and their overall commitments) has made the comparative study of their reports interesting for the research question of the thesis. The results emerged from the analysis of these three sustainability reports (SR) (structured as proposed in the paragraph 3.3) are investigated with regard to the *intent* for reporting, the *structure* used together with the *type of information* conveyed and the *topics* treated. The collected outcomes of the research are interpreted in parallel with the findings of the theory analyzed in the previous chapters.

As regards the *intent* of SRs, the results indicates that all three companies make use of SR to communicate principally about:

- their *strategic* approach to sustainability and how their strategy is translated into settled targets, performance results and commitments/actions;
- the definition of "*material*" issues, on which the company has built its actual strategy.

The reporting scope of the reports is global for all three companies, since the topics treated regards worldwide activities and impacts, and they are addressed to a global audience. This is understandable, given the multinational nature of the selected companies.

The reporting periods of the reports are different (biennial for Nike and annual for Adidas and Asics). The guidelines adopted in the editing process are not exactly what literature would expect from large and profitable corporations, since only Asics follows strictly the G4 guidelines and has a report classified by GRI as “in accordance *core option*”. Nike uses the G4 framework as a general basis for editing but without being in any accordance option and Adidas Group did not structure the report following the criteria settled by GRI standard

As regards the *assurance* of the data disclosed in the SR, only Asics asked for external assurance regarding the control over *CO<sub>2</sub> emissions* disclosing, by including the letter of external assurance company Deloitte as proof of the accuracy of the data. Asics’s tendency to comply with Standards and its commitment to prove correctness of data communicated are possibly related to their cultural background of its country: Japan is in fact one of the country with the highest degree in *uncertainty avoidance* dimension. We found contradictory findings for Adidas Group: belonging to the German culture, which is characterized by high degree of uncertainty avoidance, like Japan, we would have expected Adidas to approach SR similarly to Asics. On the contrary, Adidas did not even mention any internal/external assurance and it did not follow GRI standard.

According to Hofstede (2015), low uncertainty avoidance cultures, like that of USA, behave in a “*more relaxed attitude in which practices counts more than principle*” and usually dislike formal rules: however, Nike Inc. edited the report by following GRI Standard (without specifying the level of compliance). At the same time, it also recognized the importance of transparency, clarity and correctness of information conveyed; the company firmly states the need for auditing the report, in particular by external assurance company, so as to increase its validity. However, Nike did not asked external assurance companies to control the data and it relies only on internal auditing. To increase the perceived accuracy of information and transparency, company informs the reader about how external stakeholders have been engaged in the final phase of reporting: in fact, they are asked to make an “informal” control, just before the publication, in order to receive their final approval and make some improvements: Nike’s attention to stakeholders’ opinions emerged in the report found evidence with the results of the study of Katz et. al (2004) of American “*emphasis on outside opinions*”.

The reports have also different total *length*: Nike writes the report with the highest number of pages, followed by Adidas and at the ultimate position there is Asics, which has written

almost half of the pages with respect to its competitors. This difference could find an explanation in the cultural imprint of their country of origin, specifically in the *individualism vs collectivism* dimension. In particular, there is evidence about what Hofstede said about collectivistic societies and their use of “*high context communication*”. Communication is short and arguments are discussed in a synthetic manner, without repeating concepts. In most cases, in each page Asics makes use of pictures, graphs and schemes, by implicating that the information communicated is never perceived as descriptive but rather schematic and synthetic.

On the contrary, especially for Nike Inc., headquartered in US, one of the most individualistic cultures, the communication is more discursive, information is supported by text, empirical data and some concepts are repeated in different part of the report. Both Nike Inc. and Adidas Group use a “*low context communication*”, typical of individualistic countries<sup>39</sup>.

In the sections regarding 4 Ps (People, Planet, Product and Partnership), the argumentation (except for the parts that summarize empirical data) is mainly descriptive, where the narration of topics makes the paragraphs similar to newspaper articles.

With reference to the type of information presented in the SRs, we can easily see how Adidas Group and Nike Inc insert in the discussion much more *indicators* than Asics. Measures about social and environmental performance are disseminated both in Nike’s “Appendix” and in Adidas’ “Performance Data” sections: in Adidas Group indicators about supply chain and suppliers management prevailed (they are shown in a distinctive manner in a separate paragraph in the Performance Data, section which counts the biggest number of pages); in Nike’s SR we find a uniform and similar use of indicators among all the topics presented in the table.

Nike, more than others, integrates sustainability within its global strategy<sup>40</sup>: notwithstanding, the company does not support its declared “integrated” approach with the disclosures of financial information (benefits, costs, value created) that can arise from sustainability. Unexpectedly, it is only Asics that depicts costs, investments and expected savings derived from a good management of corporate environment issues. On the contrary, we don’t find any evidence of financial data in Adidas’ SR. However, like Nike did, also Adidas Group wants to highlight with the words of the Global Social & Environmental Affairs (SEA) that “*over the last five years we have seen significant progress in integrating sustainability thinking and acting into our core business practices*”(page 17).

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<sup>39</sup> The frequency in the use of images with respect to text has not been examined in details.

<sup>40</sup> The conclusion result from reading Nike’s Reports and the references to how sustainability practices can bring corporate efficiency (also that of suppliers for example)

Both for Nike and Adidas, there is the desire to show how sustainability is part of the overall strategy and how sustainable actions/performance and commitments may bring profit, efficiency and positive development.

Since Japan, USA and Germany register high level of masculinity dimension we would have expect a homogenized level of assertiveness and performance disclosures, especially from Japan which has the highest score. On the contrary, we found that only Nike and Adidas actually showed these characteristics, mainly through the approximate number of indicators employed.

With regards to Nike Inc. conduct, we could justify the really high level of attention paid to “performance” by recalling Hofstede’s research results according to which a high level of masculinity together with a high level of individualism can increase the overall cultural emphasis towards success, competition and achievements.

The analysis of the *contents* of SRs, enriched by a more detailed examination of the type of information disclosed has conducted to results which have to be interpreted together with the literature analyzed in the previous chapters. At a first glance, it is observable how all three companies debate almost the same macro environmental and social topics. Any similarities and differences are indeed clearer when we look at the specific data disclosed.

The most crucial and shared topic is for all three companies the “*Supplier relations management*”: especially for profitable firms whose business covers the whole global market. The good management of supply chain becomes a priority to reduce the risk of bad reputation due to bad supplier behaviors.

As regards to *Innovation*, it has registered a quite interesting tendency towards uniformity of information: the need of technology for producing sustainable products, and consequently the need to integrate innovation in the sustainability strategy are common key points for almost all companies, especially aspects regarding waste and materials management. Among the companies examined, Nike Inc. is surely the one highlighting more its commitment for sustainable innovation, as it describes in details its activities for the integration of sustainability in the business model (page 102).

Nike’s strong commitment towards sustainability is confirmed by the results of the study of Kaplan and Montiel (2016), where individualistic countries, like United States, are more inclined to engage in innovation.

Beyond those specific topics discussed above the approach of the three companies to other subcategories analyzed in table 17 of chapter 4 appear to be less uniform. Some of the differences in the approaches of the three companies to the subcategories analyzed can be linked to the different culture and values that distinguish each company. For example, we find

correspondence with what inferred from the study of Kaplan and Montiel (2016) as regards to attention to employee's status. As stated by the authors, low *power distance* countries, like Germany and USA, are particularly interested in the CSR topic of *employee autonomy*: in fact, both Nike and Adidas give attention to the activities held as a support for employee (in the case of Adidas also for workers/suppliers) empowerment and to the autonomy and career growth of employees.

Asics's disclosures about employees, called in the report "Our people", are not comparable to those given by other two companies. Furthermore, accordingly to the results of Katz et al. (2011), it emerges how regional offices work in strict contact with global structures to maintain a level of international consistency between all regional groups to foster harmonious management.

As suggested by Kaplan and Montiel (2016), *masculinity vs feminine* cultural dimension should be closely related to the CSR theme of *aging*, since feminine cultures are described by Hofstede as those who care the most about the "*elderly segment of the population*" (Kaplan and Montiel, 2016). Whereas in Adidas and Nike's SRs there is not a clear reference to aging issues, Asics mentioned its commitment to improve the health of elderly people through the diffusion of their "*Tryus activity centers*" (page 20) created for older people: as already demonstrated by above mentioned authors, this contradicts Hofstede's findings about masculinity index. The fact is that Japan is going through a deep aging crisis and these findings can be the result of the actual situation of the country.

The same reasoning can be applicable to the interest of Adidas for refugees' actual situation, who embody for Germany one of the weakest segment of society. Adidas' communication about financial donations to refugees is certainly consequent to the high involvement of German society to immigration issues. As regards *long-term orientation* and *indulgence* cultural dimensions provided by Montiel and Kaplan (2016) we did not find any specific disclosure in the three: no reference was found to concepts of biodiversity and population growth.

Contrary to what expected after reading authors' results, in our analysis it did not emerge the propensity of Asics (as member of Japanese culture) to report more about employee family members, like the offer of childcare for employees or family counseling. On the contrary, we agree with what Kaplan and Montiel stated about individualist countries (in the analysis represented by Adidas and Nike) and their relation with the CSR theme of individual entrepreneurship, interpreted as "*whether companies promote individual employees to act as entrepreneurs within their companies*".

## 5.2 Final Conclusions

The analysis of Nike Inc., Adidas Group and Asics' Sustainability Reports was focused on the examination and comparison of intent, structure, content and nature of this specific tool for disclosure, focusing on the influential role of national culture.

In the first chapter, the thesis started with the study of past literature about CSR and sustainability reporting, where it has emerged how SRs increased in numbers, improved in comparability and in performance disclosing thanks to the work of global standards guidelines towards standardization and harmonization. At the same time, academics were conscious of the fragmented results obtained by the actual process of standardization, declined to countries, industries and size dimensions of companies.

Parallel to these researches, some academics pointed out how national culture of countries, where companies are headquartered, can influence CSR corporate approaches towards actions and commitments undertaken and towards sustainability disclosing. In the second chapter, we have discussed about Hofstede's major findings of Japan, USA and Germany cultural dimensions and we have presented the most interesting empirical studies focused on the study of national cultures and corporate approaches to CSR and to sustainability reporting.

Due to the sample chosen, we dedicated a part of our investigation to the study the apparel/footwear industry in order to better understand the complexities and peculiarities of CSR and sustainability in that specific context. The companies chosen have been presented as three competitors companies, belonging to the same industry, operating in a global commercial area and that are worldwide recognized and present with stores.

The research question that has risen spontaneously from the theoretical chapters was based on the understanding of how national cultural background of countries could influence the sustainability reporting of these three companies, in terms of length, intent and content discussed but also to determine whether any similarities in the communication used by three companies is due to the ongoing process of harmonization extrapolated by theoretical studies.

From the analysis elaborated in chapter four and discussed in the previous paragraph of this chapter, it has emerged how sustainability reports appear similar in the corporate aim of presenting right inside the sustainability strategy, through the words of the CEO, by focusing on related material issues important to stakeholders and to the company itself.

However, it presents differences in:

- how the reports are edited (reporting standard used, external assurance for data accuracy, reporting period)



- the way information is conveyed (in the order of discussion of topics and in the “space” dedicated to topics)
- the type of information discussed (number of indicators, use of comparable indicators to improve comparability, details given to support argumentation...)
- the content of certain sub-categories (for example the focus on employee empowerment for Nike and Adidas, Nike’s attention to the strategic impact of sustainability on efficiency)

Some of the differences emerged have been explained by using the results obtained by past empirical findings about the CSR/national culture relationship.

What emerged from the analysis is that only in some cases, we have been able to find a relation between CSR disclosure and cultural differences; in other cases we found difficulties in evaluating the origins for dissimilarities since past literature did not help in providing answers.

As regards the results for the investigation about *intent* of SRs, it is not possible to surely state that the differences emerged in the analysis are due to cultural dimensions presented by Hofstede. In part, Hofstede’s arguments found evidence, but only in the case of Asics (while for Adidas Group with the same high level of uncertainty avoidance no correspondence was found).

With respect to *length* analysis, it is possible to state that the differences observed in the total pages and the number of sections prepared for argumentation could be explained with the cultural dimension of individualism vs collectivism. Further research could better analyze the effective foundation of these results by using a bigger sample of companies (including some other companies originating from collectivistic countries in the South-East Asia to obtain more robust results).

As regards the examination of *contents* emerged in SRs, we interpreted the results helped by past empirical studies (in particular those of Montiel and Kaplan (2016) and Katz et al. (2011)). We focused, in particular, on the comparison of our results with those of Montiel and Kaplan, given the focal role that these authors have had in developing of our empirical analysis (in fact, we took inspiration from their methodological grid to prepare our table for comparison).

In conclusion, we confirm that we found correspondence with the results of Kaplan and Montiel with respect to the relation between the cultural dimension of individualism vs collectivism and CSR themes of individual entrepreneurship and innovation, between power distance cultural dimension and CSR topic of employee autonomy. No other relevant and significant links have been found in the analysis. Results from our analysis are also in

accordance with what stated by Katz et al. (2011): American culture is more concerned about stakeholders' opinion with respect to German and Japanese culture.

If we interpret the results emerged from a different perspective (at a higher and more "superficial"<sup>41</sup> level), we can state that companies share the disclosure of some macro topics: for example, they have in common the fact that they communicate about suppliers relations management and innovation (for economic category), employment, occupational health and safety, human rights, philanthropy and volunteerism (for social category) energy and emissions, materials and waste management, water issues, climate change and product stewardship (for environmental category). However, most of the time the argumentation is developed in different terms in each report, starting from the type of information disclosed and the indicators proposed.

### **5.3 Limits of the research and future research directions**

One of the principal limit of the research is represented by the *limited sample* of companies that has been object of comparison: it has been indispensable for the analysis to choose three companies belonging to the same industry and with a leading position in the footwear market in order to have sampling units as much comparable as possible. As we are aware of the fact that this sample do not allow to infer any statistic findings, our purpose was to confirm with practical examples the theoretical concepts provided by previous authors with regards of the relationships between CRS disclosure and the influence of culture. To gain any statistical evidence from the analysis we would have to enlarge significantly the sample of testing.

As a matter of fact, the conclusions deduced from our analysis could have been biased by the particular strategic approach of the single company, independently from cultural influence.

One more aspect to consider is the fact that this type of analysis is mainly qualitative-based: this implies that data collections are the result of subjective selection and considerations that could have been biased by personal judgments.

Another limit of the research is represented by the limited number of cultural context examined. It could be also interesting for further researches to include other cultural contexts in the sample, in particular cultures of countries from emerging markets (e.g. India, China, Brazil) as they will play a fundamental role in the economic playground of next years.

Another limit of the research consists in the fact that it only consider the information disclosed by companies through the document of "Sustainability Report" (SRs). A possible evolution of the analysis could be the construction of another framework which includes not

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<sup>41</sup> The term superficial connotes the need to interpret results of analysis in a more general perspective

only SRs but also other tools for communication used by companies to divulgate their effort and their achievements in social responsibility (e.g. corporate website reporting, posts in social media, annual reports, environmental reports).

The communication through Sustainability Reports is in fact only one of the instruments available to companies for reporting about CSR. We identified this tool to be most complete of information and the most widespread among companies, but for a more complete assessment of the information disclosed by companies further studies could therefore include other tools for communication in their analysis.



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