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Cultural relevance in corporate sustainability management: a comparison between Korea and Japan

Ki-Hoon Lee* and David M. Herold

* Correspondence:
ki-hoon.lee@griffith.edu.au
Griffith Business School, Griffith University, Brisbane, Australia

Abstract

Despite the increasing global popularity of corporate sustainability, a nation's culture and its effects on activities relating to corporate sustainability are little understood. From the perspective of cultural relevance, this paper investigates the similarities and differences between Korea and Japan in their practices of corporate sustainability. Using questionnaire survey data, we examine the usefulness and applicability of Hofstede's cultural values (power distance, individualism, uncertainty avoidance, masculinity and long-term orientation) to corporate sustainability management in the context of Korea and Japan. We find that Hofstede's cultural values are partially useful and applicable in explaining corporate sustainability practices. From the aspect of the integration of corporate sustainability practices, Hofstede's cultural value model was applicable, but it was not applicable in explaining cultural differences. This study is the first attempt to examine the cultural relevance of Hofstede's model in corporate sustainability management practices in a study comparing Korea and Japan. A new theoretical foundation and insights into national culture and its effect on corporate sustainability management provide a basis for further studies.

Keywords: Corporate sustainability management, National culture, Cultural value, Cultural relevance, Asia

Introduction

In recent years, academic researchers and the business community throughout the world have paid an increasing level of attention to corporate sustainability management. For example, the Accenture survey (2013), in combination with the UN Global Compact conducted a global business survey of chief executive officers (CEOs) and found that 93% of 1,000 international CEOs stated that sustainability is important or is very important for their companies' future success (Hayward et al. 2013). Further, 63% of CEOs expect sustainability to transform their industry within 5 years and 76% believe that embedding sustainability into their core business will drive revenue growth and will present new opportunities. The emphasis they placed on their corporate sustainability activities has moved to partnerships between firms, the institutional environments in which they operate, and various stakeholders including local communities, governments and employees.

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An increasing number of companies in various sectors adopt and implement a range of corporate sustainability management activities. In principle, corporate sustainability management (CSM) embraces the triple bottom line approach which includes the environmental, social, and economic aspects of sustainability at a firm level. For example, companies may adopt an environmental management system in order to make continuous improvements in corporate environmental management. Some companies also use environmental management accounting practices in order to collect the necessary information for sustainability-related decision making, such as the implementation of new environmental technology and equipment investments or third party involvement in environmental management (Schaltegger and Burritt 2014; Lee and Saen 2012; Burritt et al. 2011).

It is notable that existing CSM literature has been largely dominated by US or Europe-focused studies. Since the issues of corporate sustainability are not local issues but global ones, regionally (mainly US or Europe) focused CSM studies may fail to note important insights, and/or lead to misunderstandings about corporate sustainability. There is clear growth in Asian engagement in CSM evidenced by a number of sustainability reports (or corporate social responsibility reports), an increase of 22% in 2 years (KPMG 2014). In particular, as Asia becomes an important region for the global economy and international business, there is a rapidly growing awareness and concerns about corporate sustainability evidenced by the number of studies undertaken in this region (Lee 2012a). The futurist Naisbitt (1996) argues that 'Asia was once the centre of the world, and now the centre is returning to Asia'. In the introduction, he comments: 'In the 1990s, Asia came of age. And as we move toward the year 2000, Asia will become the dominant region of the world: economically, politically, and culturally. We are on the threshold of the Asian Renaissance' (p.10). He even goes further to predict that, 'we are moving towards the Asianization of the world'.

To date, however, little is known in a systematic and comparative way about national culture and its effects on firms' corporate sustainability activities in Asian context. Only a very limited number of studies have theoretically or empirically characterized the variation in nation-level cultural differences across companies and how this may impact the variation in corporate sustainability management practices in different nations, particularly in Asian countries. International research into environmental and social sustainability management has primarily focussed on different corporate or organisational resources, while generally overlooking the importance of national culture. However, within management studies, national culture can be regarded as playing an important role in developing and implementing business strategies (Hofstede 1980; Witte 2012; Hofstede 1998; Hostede and Hofstede 2001). Therefore, it is expected that national culture is likely to be an important determinant of how organisations manage corporate sustainability activities, and thus also of varieties of CSM.

In this paper, we seek to make an empirical and conceptual contribution to a greater understanding of the influence of national culture on specific sustainability management practices. In particular, this paper aims to analyse and compare the similarities and differences in corporate sustainability practices in the cultural contexts of Korea and Japan. Korea and Japan play an increasingly important role in sustainability management and practices, with more and more companies adopting the guidelines of the Global Reporting Initiative (GRI), which is probably the most widely used sustainability

reporting guideline. For example, 450 Japanese and 251 Korean companies adopted these guidelines in 2015 (GRI 2016). Moreover, a growing number of Japanese and Korean companies now adhere to the United Nation's Global Compact (231 Japanese members and 283 Korean members) (United Nations Global Compact 2016). Japanese and Korean companies also participate, with 26 and 23 members respectively, in the activities of the World Business Council for Sustainable Development (WBCSD), an organisation that plays a growing role in international negotiations linked to sustainable development in areas such as climate change (WBCSD 2016).

In making a comparison between Korea and Japan, the main contributions of this paper are two-fold. First, we use unique data from the 'International Corporate Sustainability Barometer' survey which was coordinated by the Centre of Sustainability Management (CSM) (see Schaltegger et al. 2013). Using this survey data, with a focus on the intention, integration and implementation of corporate sustainability practices in Korea and Japan, this paper provides comparative outcomes between these two countries in corporate sustainability management. Second, based on the analysis from the findings in the 'International Corporate Sustainability Barometer', we link the survey findings to Hofstede's cultural values in Korea and Japan to test the usefulness of Hofstede's model with regards to intention, integration and implementation of sustainability practices. By examining the usefulness of Hofstede's model in corporate sustainability management, we will uncover the applicability of Hofstede's cultural values in explaining corporate sustainability management internationally.

The remainder of the paper is structured in six sections. The next section provides an overview of corporate sustainability practices in Asia and highlights the lack of consideration of national culture. This is followed by an introduction which discusses the cultural dimensions of Hofstede's model. Next, Hofstede's cultural values as they relate to the five dimensions in Korea and Japan are presented, as well as a discussion of the different approaches in measuring the intention, integration and implementation, which leads to the two main research questions. The methodology is then introduced and this is followed by a discussion of the results. The paper concludes with a summary of the findings and recommendations for future research.

Corporate sustainability management and its variation in Asia

The topic of corporate sustainability management (CSM) emerged in management studies in the 1990s, notably in articles in the *Academy of Management Review* (Starik and Rands 1995) and the *Academy of Management Journal* (Starik and Marcus 2000). There was wide recognition of the critical roles multinational enterprises (MNEs) play in global environmental problems such as pollution and global warming. Since 1987 when the Brundtland Report provided the general definition of sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development 1987 p.43), the terms 'sustainable development' and 'sustainability' have been widely accepted by business leaders, academics, political leaders and many other stakeholders (Dyllick and Hockerts 2002). In the management literature, a variety of definitions of sustainability or corporate sustainability have emerged. The levels and classifications of corporate sustainability vary and depend on the focus, for example, economic prosperity (Peteraf 1993; Porter 1985), ecological focus (Shrivastava

1995; Hart and Dowell 2011), corporate social responsibility (Carroll and Buchholtz 2014; Waddock 2008), or integration of corporate economic activities into environmental and social aspects of the organization (Dyllick and Hockerts 2002; Lee 2012b). Some scholars focus on corporate social responsibility (Matten and Moon 2008), sustainability management (Lee 2011), or shared value (Porter and Kramer 2011). The variety of definitions and foci has caused some confusion and impediments in the adoption and implementation of corporate sustainability, as corporate managers and decision makers find it difficult to interpret and operationalise the term in practice (Lee et al. 2016; Faber et al. 2005).

Previous studies have focused on the overall adoption of corporate sustainability practices, where the primary drivers were considered to be mainly external factors such as governments, stakeholder pressure and customer demands (Hunt and Auster 1990; Azzone and Bertelè 1994; Lee and Ball 2003). In addition, internal factors such as environmental training and employee reward systems are considered to be important aspects of the incorporation of corporate sustainability (Lee and Ball 2003). Despite the fact that a number of studies have identified factors for the adoption of corporate sustainability, the context of the organisation itself is largely not yet fully explored. Rather, the organization and its context (whether a national or a cultural context) were treated as being in a 'black box' (Linnenluecke and Griffiths 2010; Howard-Grenville 2006). Overall, most of the existing literature uncovers factors which drive or promote corporate sustainability without considering the context of the national culture and its impact on organisational efforts to achieve corporate sustainability.

One of the first attempts to explore an Asia-focused CSM study is that by Chapple and Moon (2005). They analyse the online sustainability and/or corporate social responsibility (CSR) reports of 50 firms in seven Asian countries (India, Indonesia, Malaysia, the Philippines, Korea, Singapore and Thailand) and find that a variation in cross-country corporate sustainability cannot be explained by a country's stage of economic development. Rather, national factors may explain such variation, although they did not investigate such factors. In a similar vein, Aguilera et al. (2007) argue that 'because business organisations are embedded in different national systems, they will experience divergent degrees of internal and external pressures to engage in social responsibility initiatives' (p.836).

More recently, Welford (2005), Baughn and McIntosh (2007) and Chapple et al. (2014) also point to the great variation in corporate environmental and social sustainability management performance within Asia. As Welford (2005) and Baughn and McIntosh (2007) note, within Asia there is a close association between sustainability and localized issues and cultural traditions. Given the diversity of these issues and traditions among and within countries (Witt and Redding 2013), it is not surprising that sustainability agendas and practices diverge so greatly (Chapple and Moon 2005; Chapple et al. 2014; Lee and Kim 2014). More recently, Kim and Moon (2015) conclude that investigations into sustainability in Asian countries, particularly comparing national contexts, remain 'few and far between'. In the context of national culture and its effects on corporate sustainability management, Hofstede (1980) found that national culture can provide a useful framework for exploring corporate management activities in Asia. Hofstede (1980) asserted that national culture is critical to managerial practices or strategic adaptation, which he defined as 'the collective programming of the mind that distinguishes

one group or category of people from another' (p.260). During the last four decades, Hofstede's model has probably been the most widely used in management studies into national cultural effects. As such, this paper adopts the Hofstede model to explore the similarities and differences in the sustainability practices of Korean and Japanese companies.

Hofstede's model

Hofstede elicited 116,000 questionnaires from over 60,000 respondents in 70 countries in his study (Hofstede 1983, 1991; Hostede and Hofstede 2001). Initially he created four dimensions; power distance, individualism-collectivism, uncertainty avoidance, and masculinity-femininity. He assigned indexes to each participating country, and linked the dimensions with demographic, geographic, economic, and political dimensions of the national society. To date this study can be regarded as the most comprehensive and robust ever undertaken in terms of national sample numbers. In 1991, Hofstede added the dimension of long-term and short-term designation to his study. As these models and the respective dimensions provide the conceptual foundation of this study, we address each of Hofstede's dimensions of national culture.

Power distance (PDI)

Power distance (PDI) is the expectation of and compliance with unequal power distribution. This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. Higher power distance nations accept that a hierarchy exists between superiors and subordinates (Carl et al. 2004). Javidan et al. (2006) argue that nations which score higher on this cultural dimension are more hierarchically structured, and those in positions of authority expect and receive obedience. Thus, we consider that companies in the nations which rate higher in power distance display a lack of equal opportunities for minorities and women, and a lack of personal or professional development within organizations. In addition, in high power distance oriented nations, power and decision making is centralised and companies place more emphasis on formal methods of gathering and analysing external information (Flynn and Saladin 2006).

Individualism versus collectivism (IDV)

Collectivism is the expression of pride, loyalty and cohesiveness within organizations and/or families. That is, people belong to in-groups (families, clans or organisations) who look after them in exchange for loyalty. Individualism can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only. The cultural dimension of collectivism has been widely studied across the management disciplines (Earley and Gibson 1998; Hofstede 1980). More recently, Realo et al. (2008) provide appropriate definitions as follows:

> Collectivism considers a group (e.g., family, tribe, or state) as the primary unit of reality and requires that individuals sacrifice themselves for the alleged interests of the collective. Individualism in turn is a system of beliefs, attitudes, and values according to which a human being should think and judge independently, respecting nothing more than the sovereignty of his or her own interests and goals (p.448).

As Power et al. (2010) reveal, collectivistic cultures consider individuals as embedded within the group, while individualistic cultures put more emphasis on the individual's autonomy and independence.

Masculinity versus femininity (MAS)

The masculinity dimension of national culture represents preferential forms of social behaviour that privilege either competition, materialism and wealth, and cultures where society at large is more competitive, while femininity stands for a preference for co-operation, modesty, caring for the weak, quality of life, and a more consensus-oriented society. Hofstede's study suggests that masculine societies are economically the most successful (for example, the US, Germany, and Japan) and that successful feminine societies have smaller populations, less economic scale and/or a strong collective culture and high welfare value (for example, Scandinavia, France and Thailand). Having a high score in this dimension indicates that the society is masculine-focused, competitive and success-driven. The use of information to support decision-making in a masculine-oriented culture depends on the expected gains over competitors while the use of information to support decision-making is very popular in feminine-oriented cultures (Flynn and Saladin 2006; Vecchi and Brennan 2009).

Uncertainty avoidance (UAI)

Uncertainty is one of the key determinants of market transactions, and plays a critical role in business (Hofstede 1980; Hostede and Hofstede 2001). Hostede and Hofstede (2001) describe uncertainty avoidance (UAI) as 'Uncertainty-avoiding cultures shun ambiguous situations. People in such cultures look for structure in their organizations, institutions and relationships, which makes events clearly interpretable and predictable' (p.148). To practice UAI is to avoid uncertainty by relying on social norms, rituals and bureaucratic practices. The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. UAI is expected to affect business activities because of the tendency for high UAI nations to avoid the ambiguity and uncertainty that exist (Hostede and Hofstede 2001). In production and manufacturing studies, Flynn and Saladin (2006) argue that a country with a high score in uncertainty avoidance has an emotional need for rules. In the same way, a low score in uncertainty avoidance suggests a society which dislikes formal rules. This cultural dimension indicates that companies will seek to avoid risk and will undertake a high level of preparation when the country they are dealing with has a high score in uncertainty avoidance.

Long term orientation (LTO)

Long term orientation (LTO) is the degree to which a society embraces, or does not embrace, long-term devotion to traditional, forward thinking values. Societies with a short-term orientation generally are strongly concerned with establishing the absolute truth. They are normative in their thinking. They exhibit great respect for tradition, a relatively small propensity to save for the future, and a focus on achieving quick results. In societies with a long-term orientation, people believe that truth depends very much on the situation, the context and time. They show an ability to adapt traditions to

changed conditions, a strong propensity to save and invest thriftily, and perseverance in achieving results. Hostede and Hofstede (2001) state that 'Businesses in long-term-oriented cultures are accustomed to working toward building up strong positions in their markets; they do not expect immediate results' (p.361). This definition indicates that LTO is employing a future, forward looking perspective. Naor et al. (2010) also support Hostede and Hofstede (2001) by stating that 'A future oriented culture encourages employees to utilise new innovative technologies, which can enhance long-term performance' (p.196).

Research design

Based on the previous discussion, it can be assumed that cultural values may have a significant impact on sustainability practices. However, despite the importance of comparative sustainability studies between Asian countries, there is a lack of empirical studies which examine the variation of sustainability practices, particularly those considering national contexts. Thus, there is need to not only examine the differences in corporate sustainability practices between Asian countries, but also link to them to cultural values in order to understand the rationale behind these values.

To examine the similarities and differences in corporate sustainability practices in Korean and Japanese companies, this paper uses data from the 'International Corporate Sustainability Barometer (ICSB)' survey (see Schaltegger et al. 2013). The survey was conducted among international companies in order to cover a broad range of corporate sustainability issues, with a special focus on a company's *intention* to pursue sustainability management, the *integration* of sustainability into its business activities and its actual *implementation.* The data represent the foundation for the examination of the difference and similarities between Korea and Japan and for further discussion of the findings (Kim and Lee 2014; Kokubu et al. 2014).

An indicator of a company's *intention* to pursue sustainability management is the influence of external stakeholders, as numerous publications have confirmed the importance of stakeholders and the related 'social contract' to achieve legitimacy and market success (Sharma and Henriques 2005; Lee 2011; Sarkis et al. 2011). On the one hand, striving for organisational legitimacy is a reaction to sustainability related regulations and pressure from societal stakeholders (push factors). Market success, on the other hand, is a motive for corporate sustainability if consumers or investors offer incentives (pull factors) (Benn et al. 2006; Babiak and Trendafilova 2011).

An indicator of the *integration* of sustainability is the involvement of organisational units. Irrespective of external pressures, a company can decide who in the organization is dealing with sustainability to ensure that either the sustainability strategy, or more generally, the intended direction in sustainability management, is an integral part of a company's core business (Schaltegger and Burritt 2000; Burritt et al. 2002; Porter and Kramer 2011). This integration challenge means that corporate activity has to be linked to sustainability measures. Such integration can be achieved by managers and employees in various corporate functions, like purchasing, manufacturing, research and development (R&D), sales or marketing. In a nutshell, all steps of value creation and all organisational units should be included in sustainability management in order for it to become effective (Porter 1985; Burritt et al. 2011).

An indicator of the *implementation* is application of sustainability management tools, which can be defined as management instruments and systems specifically designed to support companies in their implementation of corporate sustainability (Hahn and Scheermesser 2006). Therefore, the sustainability management tools which are actually applied can be regarded as a mirror of the sustainability strategy and rationale realized in corporate practice. Management tools include, for instance, stakeholder dialogues, community advisory panels or corporate volunteering (e.g. Tencati et al. 2004; Burritt et al. 2002). In addition, companies can make use of several sustainability management tools which address the broad range of sustainability topics. Sustainability management tools serve, for instance, to communicate and market the company's sustainability efforts (e.g., a sustainability report or labels), to develop and plan sustainability-oriented measures, products and services (e. g., risk analysis, sustainable design) or to manage and monitor corporate sustainability (e.g., environmental management systems).

Thus, the intention, integration and implementation of sustainability activities provide a robust framework upon which to examine the similarities and differences between Korea and Japan, leading to the first research question:

RQ1: What are the similarities and differences between Korea and Japan with regard to the intention, implementation and integration of corporate sustainability activities?

Importantly, it is argued that national culture is a relevant, important lens through which the comparison of similarities and differences would considerably improve our understanding of corporate sustainability management and its performance in an Asian context. According to Husted (2005), the ability of companies to implement sustainability depends on the local culture. Moreover, other authors confirm these statements and argue that national culture affects the strategic decisions of executives (Franke et al. 1991; Lee and Kim 2014) or the success of technology transfer (Kostova et al. 2008). Therefore, national culture will affect organizations' adoption and implementation of corporate sustainability. In particular, this study aims to investigate the role the national culture plays in corporate sustainability activities if Hofstede's cultural values are applicable and useful for the intention, integration and implementation of sustainability practices. While sustainability tools, techniques and strategies may be present, the levels of intention, integration and implementation vary because the fundamental culture of each nation and its context is different. With the use of the five dimensions of Hofstede's national cultural model, this paper is able to link the differences in sustainability practices with national contexts and values, which leads to the second research question:

RQ2: How and to what extent are the cultural similarities and differences reflected in corporate sustainability practices in Korean and Japanese companies?

Research methods

To address the research questions and examine the differences between Japanese and Korean companies, an online survey among large companies in Japan and Korea was organised and conducted through the coordination of the centre for sustainability management, Leuphana University of Luneburg, Germany. The questionnaire was provided

in the language(s) of the respective country and back translations were used to guarantee accurate translation and comparison of the results. The survey was addressed to the countries' largest companies (by revenue) and was directed to each company's sustainability manager.

Overall, 48 valid questionnaires for Japan and 32 valid questionnaires for South Korea were received. The majority of the sample consists of relatively large companies both in terms of number of employees and sales revenues. The statistics of the participating companies in Japan and South Korea indicate that more than 95% of the sample has between 1,001 and 100,000 employees. In terms of revenue, the sample shows a small difference: in Japan, about 71% of the companies have sales revenues within a range of 5 to 50 billion euros, while the South Korean sample shows 28% in the same range, but also lists 25% of the companies with a revenue between 2.5 and 5 billion euros.

The survey systematically applied various measures related to actors and operational activities and focused on the companies' *intention* to pursue sustainability management, the *integration* of sustainability management into the core business and the actual *implementation* of related measures. In particular, the findings are split into the sections *intention, integration* and *implementation* and are visualised in Tables 1, 2, and 3. First, with regard to the intentions of sustainability management, the survey analysed the influence of different stakeholders, which was assessed by the survey participants on a rating scale ranging from 'inhibiting' to 'promoting'. Second, the integration of sustainability in the organisation was analysed, using the degree to which specific organisational units are engaged in sustainability management activities with regard to the integration of sustainability in the organisation. Third, the survey analysed the actual application of specific management tools as proxies for the implementation of sustainability management.

The data from this survey is the foundation on which the answers to both research questions are based. As such, the data for the intention, integration and implementation is presented in each section for further discussion of the variations of sustainability practices and their relation to national contexts. To answer the first research question, the similarities and differences of the data between Korea and Japan are analysed and discussed in each section. After the variation has been examined, the findings are related to Hofstede's cultural values for Korea and Japan to answer the second research question. Therefore, the national contexts are considered and the influence of the specific cultural values of power distance (PDI), individualism versus collectivism (IDV), masculinity versus femininity (MAS), uncertainty avoidance UAI), and long-term orientation (LTO) are discussed. A first look at these five dimensions as they relate to Korea and Japan reveals similarities in power distance, uncertainty avoidance, and long-term orientation, but major differences in individualism/collectivism and masculinity/femininity (see Fig. 1).

Table 1 Cultural values with regard to intention

	PDI		IDV		LTO	
	Korea	Japan	Korea	Japan	Korea	Japan
Hofstede	**Higher**	**Lower**	**Lower**	**Higher**	**Higher**	**Lower**
Intention	Similar	Similar	***Different***	***Different***	Similar	Similar
Applicability	*Yes*	*Yes*	***No***	***No***	*Yes*	*Yes*

Note: The bold text in the table highlights the characteristics of cultural values and intention

Table 2 Cultural values with regard to integration

	PDI		MAS	
	Korea	Japan	Korea	Japan
Hofstede	**Higher**	**Lower**	**Lower**	**Higher**
Intention	Similar	Similar	Similar	Similar
Applicability	***Yes***	***Yes***	***Yes***	***Yes***

Note: The bold text in the table highlights the characteristics of cultural values and integration

Accordingly, this paper examines the relationship of culture to sustainability practices in Korea and Japan in order to understand how cultural values may influence the respective areas of intention, implementation and integration of sustainability practices. In particular, the cultural value dimensions are used to examine the usefulness of Hofstede's model and to discern whether the respective cultural values are applicable in explaining the influence on the intention, implementation and integration of sustainability practices.

Findings and discussion

Intention to implement corporate sustainability practices

To empirically examine the intention or motivation of companies to implement corporate sustainability management, the survey focused on the influential role of stakeholders in the corporate context. A list of 17 different stakeholders was presented to Korean and Japanese companies participating in the survey and the companies were asked to rate each stakeholder on a scale, based on the question: 'How would you assess the impact of the stakeholders on the implementation of sustainability in your company?' The results were then converted into percentages, where a low percentage indicates an 'inhibiting' behaviour, while a high percentage indicates a 'promoting' behaviour.

Overall, the results (see Fig. 2) show that all of the external stakeholders are found to promote corporate sustainability and none of the stakeholders surveyed are regarded as primarily inhibiting corporate sustainability. Interestingly, similar trends in external stakeholders' influence are observed. As Fig. 2 shows, there are rather minor differences in the influence of NGOs, media, community, consumer organisations and suppliers. In contrast, notable differences in the influence of consumers, business customers, competitors, rating agencies, trade associations and insurance stakeholders can be observed. This result may indicate that both Korean and Japanese companies consider business relationships and their reputation with stakeholders to be very important in their business as well as their corporate sustainability practices.

The ranking shows that most companies in the Korean and the Japanese samples agree that NGOs and the media/public are important external stakeholders (with

Table 3 Cultural values with regard to implementation

	PDI		MAS		UAI	
	Korea	Japan	Korea	Japan	Korea	Japan
Hofstede	**Higher**	**Lower**	**Lower**	**Higher**	**Lower**	**Higher**
Implementation	***Different***	***Different***	***Different***	***Different***	***Different***	***Different***
Applicability	***No***	***No***	***No***	***No***	***No***	***No***

Note: The bold text in the table highlights the characteristics of cultural values and implementation

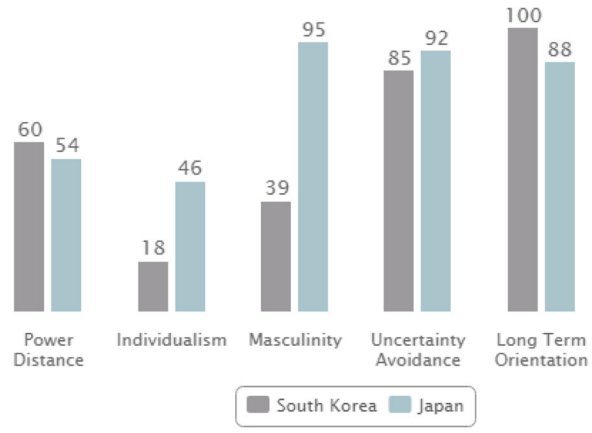

Fig. 1 The scores of five cultural dimensions in Korea and Japan. Source: The Hofstede (2016)

leading scores in both countries) who strongly impact sustainability practices within a company. Still, there are significant differences among the stakeholder groups. It is noteworthy that consumers and trade associations have a relatively low ranking in the Korean sample, but are strongly influential in the Japanese sample. Kokubu et al. (2014) argue that consumers' awareness of sustainability has increased in Japan, in particular CSR departments focus on consumers as being the core of their activities. Trade associations, including representative bodies such as Keidanren (Japan Federation of Economic Organizations) and Keizei Doyukai (the Japan Association of Corporate Executives), are also actively promoting sustainability through different voluntary guidelines, charters and industry specific conventions (Doyukai 2004; Keidanren 2003). Interestingly, companies in Japan consider mainly stakeholders from the business community (consumers, rating agencies, banks, trade associations, competitors and insurance companies) as being primary external stakeholders rather than NGOs, the media or the general public.

From a cultural perspective, the corporate intention to manage sustainability in Korea and Japan can be attributed to the values of power distance, individualism and long term orientation. Power distance can be regarded as a relevant factor in companies' intent to adopt sustainability practices, because high levels of power distance may lead to a weaker corporate responsiveness to environmental problems (Katz et al. 2001).

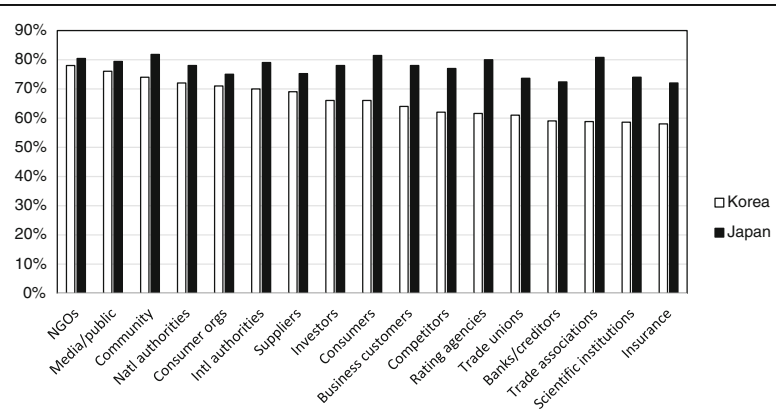

Fig. 2 Influence of external stakeholders. Source: ICSB, Schaltegger et al. (2013)

Moreover, a high level of power distance may lead to a restriction of information within companies in order to preserve power inequalities. The individual cultural value dimension can also be regarded as being relevant, as individualistic and collectivist values relate to the influence of external stakeholders such as NGOs (Martin 2002). The long-term orientation value dimension is relevant insofar as it indicates the focus of activity towards external stakeholders (Schaltegger and Burritt 2015).

The scores in power distance between Korea and Japan are similar, with 60 for Korea and 54 for Japan, which indicates that both countries are slightly hierarchical societies. In Korea, with 60 points, people accept a hierarchical order in which everybody has a place, and this order needs no further justification. Similarly, companies in Japan are also perceived as being very hierarchical, but they are not as hierarchical as those within the Korean culture (Hofstede 2016). Japanese society has slow decision making processes that integrate selected hierarchical layers, which seek in general a harmonious co-existence between the Japanese companies and their key powerful stakeholders (Fukukawa and Moon 2004). Rather than NGOs, the media/public and community, which strongly promote corporate sustainability in Korea, business stakeholders (for example, consumers, banks, insurance and rating agencies) are found to be the most influential in Japan.

Moreover, the differences between Korea and Japan in the intention to implement sustainability practices can be explained by the individualism dimension in which Korea and Japan have significant differences, with Korea having a score of 18 while Japan scores 46. The higher score in Japan can be attributed to the Japanese people having a more group-oriented background. Members in a group show loyalty to their group and feel a much greater sense of duty and responsibility to their group than to others in the society. This in-group/out-group distinction in Japanese society helps to reduce tensions with the main stakeholders, such as investors, consumers, suppliers and communities, which may explain the higher scores, as compared to those of Korea (Tanimoto and Suzuki 2005). Further, there seems to be a contradiction in the findings between Korea and Japan with regard to the individualism and the influence of NGOs. In a highly individualistic society, NGOs and environmental interest-group activity appear to be much more widespread and diverse in these cultures than in collectivistic cultures, thus giving such a society greater institutional capacity to respond to environmental problems (Katz et al. 2001). Therefore, an overall high score of the influence of NGOs can be related to a highly individualistic society, which is partly a given in Japan with a score of 46, but certainly not in Korea with a score of 18.

The dimension of long term orientation can be explained as follows. Both countries score very highly in this dimension, with 88 for Japan and 100 for Korea. In both countries, the durability of companies plays a crucial role (Hofstede 2015). The priority lies in a steady growth of the market share rather than in the quarterly profit, which implies that companies have to serve their stakeholders and the society at large for many generations (Witt and Redding 2012). Since the implementation of corporate sustainability requires long term consideration of organisations' strategy, planning, and investment, companies with high scores in long term orientation will take proactive approaches to environmental and social sustainability management activities. It can be argued that nations which have long term orientation will place higher value on economic, environmental, and social sustainability activities and build cultural values that should support

the country's social and institutional capacity for environmental sustainability. Thus, companies in a higher long term orientation culture will take a holistic approach to balancing their economic, environmental, and social sustainability performance.

Based on the discussion above, we observe similarities and differences between Hofstede's cultural values and our comparative sustainability practice findings in Korea and Japan. While the power distance (PDI) values as well as the long term orientation (LTO) values show similar results between Hofstede's values and our analysis, the individual-collectivist (IDV) value dimension shows differences. With regard to the intention to adopt sustainability practices, we argue that both Korea and Japan show a higher level of individualistic behaviour compared to Hofstede's model. Thus, given the similarity between Hofstede's cultural values of power distance (PDI) and the long term orientation (LTO), we can conclude that both values are applicable in explaining the influence on the intention of companies to adopt sustainability practices. In contrast, given the conflicting values of high scores for NGOs and the rather low individualistic scores in Korea and Japan, we can conclude that the individual-collectivist value (IDV) dimension is not applicable in explaining the influence on the intention of companies to manage and adopt sustainability practices (see Table 1).

Integration of corporate sustainability practices

The involvement of all organisational units is considered to be essential to the successful management of many sustainability tasks (Gattiker and Carter 2010). Whereas it is commonly assumed that organisational units such as public relations departments (PR) are involved, other core organisational units such as finance and strategic planning are not frequently associated with sustainability measures. It is therefore questionable whether corporate practice is able to involve all functional units in sustainability measures to a significant degree (Gattiker and Carter 2010).

To examine this issue, the participating companies were asked to assess the functional units' engagement with sustainability measures based on the question: 'Which of the following organisational units engages with sustainability measures in your company?'

Overall, the results (see Fig. 3) show that most of the organizational units are rather highly engaged in sustainability. Not surprisingly, CSR/sustainability departments are the most comprehensively engaged in both the Korean and Japanese companies, followed by top management. In Japan, procurement/purchasing and manufacturing departments are also actively involved in corporate sustainability measures.

Notably, strategic planning and public relations received a higher value in the Korean sample than in the Japanese sample. In part, strategic planning in many Korean companies plays a 'control tower' role in resources allocation, including budgets, labour, etc. In contrast, PR and investor relations departments are seen to be relatively less involved in sustainability in Japan compared to those in the Korean sample. Instead, some operation-oriented organisational units such as the procurement, logistics and quality control departments are relatively more involved in sustainability measurement in Japan. The involvement of procurement and logistics may be due to companies' strong emphasis on green purchasing and also their close management of transportation issues.

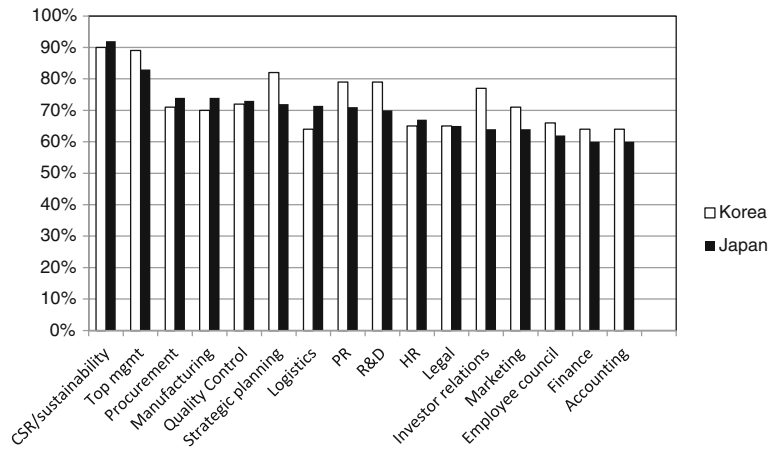

Fig. 3 Engagement with sustainability of organisational units. Source: ICSB, Schaltegger et al. (2013)

From a cultural perspective, the integration of sustainability in Korea and Japan can be attributed to the values of masculinity and power distance. The power distance value dimension can be regarded as a relevant factor in the integration of sustainability practices, because a power distance value influences the hierarchical levels and the resistance to organisational change. The masculinity-femininity value dimension is relevant insofar as it indicates the assertiveness of an organisation's member to integrate organisational practices within the company (Orij 2010).

With a score of 95, Japan is one of the most masculine societies in the world, while Korea, with a score of 39 in this dimension, can be considered to be a much less masculine (or more feminine) society. Figure 3 indicates a slightly more balanced approach to the engagement of the organisational units in Korea. A more balanced approach is related to feminine values, which are characterised by 'working in order to live', managers strive for consensus, people valuing equality, solidarity and quality in their working lives and where conflicts are resolved by compromise and negotiation (Hofstede 2015). This may explain the higher scores of employee council and strategic planning and thus a higher engagement of organisational units in Korea. Moreover, feminine values also indicate a more supportive approach towards information provided to stakeholders, which explains Korean companies' higher scores for PR, investor relations and marketing. In contrast, Japan, with a high score in this cultural dimension, may seek more performance outcomes of environmental and social sustainability management, providing only limited information and communication with regard to sustainability management, thus further restricting the engagement of organisational units.

For the power distance dimension, the scores of Korea and Japan are similar, with 60 for Korea and 54 for Japan. These scores imply a rather hierarchical order and can also be seen in the findings for the sustainability integration of organisational units. Similar to the score of 60 for Korean companies to 54 for Japanese companies' power distance dimension, the engagement of organisational units in Korea is also slightly higher than that of Japanese units. Thus it can be argued that formal communication, a well-established organisational structure for data gathering and analysis, top-down decision making, active use of available tools and approaches, and active formal management activities are related to high power distance oriented companies.

Based on the discussion above, we observe similarities between Hofstede's cultural values and our findings in relation to Korea and Japan (see Table 2). The power distance (PDI) values as well as masculinity-femininity (MAS) values show similar results and reflect the relation between Hofstede's values and our analysis, Thus, given the similarity between Hofstede's cultural values of power distance and masculinity-femininity, we can conclude that both cultural values can be used and are applicable in explaining the influence on the motivation of companies to adopt sustainability practices.

Implementation of corporate sustainability practices

The successful implementation of corporate sustainability in a company largely depends on the management's ability to design and align various sustainability measurement and management systems, programmes and tools (Epstein 2008). These will help companies to systematically identify, measure and appropriately manage their sustainability responsibilities and risks.

To examine which tools are commonly applied in corporate practice, the question 'Which methods of sustainability management are applied in your company?' was asked and a list of tools was provided based on academic and practitioner-oriented publications (see Schaltegger et al. 2013). The participating companies in Japan and Korea could indicate whether they applied each of these tools.

Overall, the results (see Fig. 4) show that most of the sustainability management tools are known and applied in Japanese and in Korean companies. Both countries have been known for many years for their extremely efficient production and manufacturing industries. These industries use a systems based approach, including environmental management systems and quality management systems which are well implemented in both countries. In particular, companies in Japan demonstrate a relatively advanced level of application of sustainability management tools, in particular environmental accounting, green purchasing and eco-audit. Also in both countries, relatively long implemented environmental and social tools including corporate volunteering, environmental reports, flexible working time and corporate giving are employed extremely efficiently.

Even where Korean and Japanese companies have similar scores for environmental management systems, there are significant differences between the firms in these

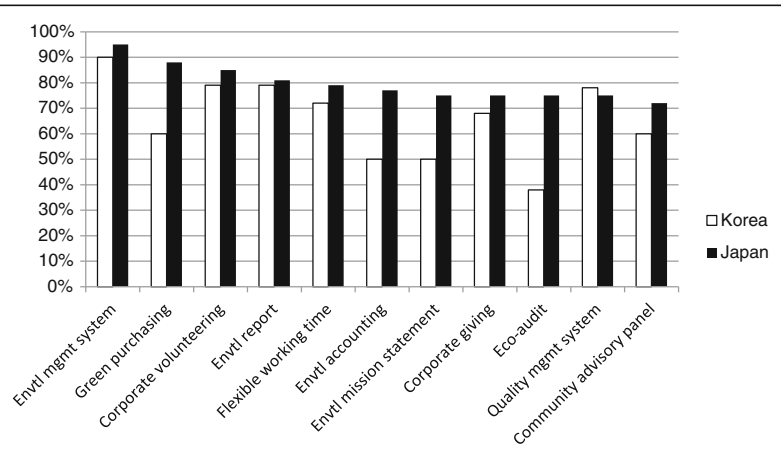

Fig. 4 Sustainability management tools. Source: ICSB, Schaltegger et al. (2013)

countries. Japanese companies prefer the use of different methods to manage sustainability. Environmental accounting and reporting, green purchasing, community advisory panels, eco-audits and corporate/employee volunteering, which are frequently used in corporate sustainability in Japan, are less popular in the Korean sample (Kokubu et al. 2014).

From a cultural perspective, the implementation of sustainability management tools in both Korea and Japan can be attributed to the values of individualism, masculinity and uncertainty avoidance. The individual-collective value dimension can be regarded as a relevant factor with regard to the implementation of sustainability practices, because it indicates a preference for guidelines and standards as well as for auditing and verification processes. The uncertainty avoidance value dimension can also be regarded as being relevant, as uncertainty avoidance values indicate a preference to comply with the rules, follow rigid codes of behaviour and most importantly, the search for ultimate, absolute truths and values in the form of management tools such as sustainability measurement tools (Gray 1988). The masculinity-femininity value dimension is relevant insofar as it indicates an emphasis on the quality of life, the environment and a socially oriented society in the degree to which sustainability tools are implemented (Van der Laan Smith et al. 2005).

The scores for individualism show a difference between Korea and Japan, with a score of 46 for Japan and 18 for South Korea, which indicates that Korea is a rather more collectivist society. With 46 points, Japan can also be regarded as being collectivist, but its society is far more individualistic than that of Korea. Companies in Korea place great importance on the aspect of not losing face, and employer-employee relationships are perceived in moral terms (Hofstede 2015). As a consequence, companies feel more responsible for their employees, which may include a general direction towards sustainability. Thus it can be argued that companies with high collectivism orientation are likely to invest more heavily in corporate sustainability tools and methods, systems, programs and employee training than companies with high orientation towards individualism. However, this is contradictory to the results presented in this study, where Japanese companies have implemented various sustainability management tools much more often.

These contradictory findings of the overweight of implemented sustainability management tools in Japanese companies are also reflected in the masculinity dimension. While Japan scores 95 in the masculinity dimension, Korea scores 39. Generally, a high masculinity score indicates a slower adoption of costlier environmental technology and practices, reduces companies' responsiveness to environmental problems and thus decreases the capacity for sustainable development (Husted 2005). However, Japanese companies can usually follow voluntary guidelines instead of regulations specified by the government, which ensures a cooperative relationship between companies and the government with regard to sustainability implementation (Lewin et al. 1995). This approach provides greater flexibility to companies in interpreting and adopting government guidelines and thus contributes to a favourable business environment (Choi and Aguilera 2009). The active participation of businesses in developing guidelines also increases the chances of success in application and the drive for excellence (Kokubu et al. 2014).

Moreover, both countries score highly in the dimension of uncertainty avoidance, with a score of 92 for Japan and 85 for Korea. Again, the findings for the implementation

of sustainability tools are contradictory to both of the countries' cultural values. With a score of 92, Japan is one of the most uncertainty avoiding countries in the world, and a lot of time and effort is put into feasibility studies, and all of the risk factors must be worked out before any project can start. Managers ask for details of all of the facts and figures before making any decisions. This high need for uncertainty avoidance generally indicates that changes are difficult to realize in Japan (Davis 2014; Hofstede 2015). Societies with high uncertainty avoidance are also perceived to be more resistant to innovation. In contrast, managers in countries with a culture of a high level of uncertainty avoidance can be regarded as introducing necessary sustainability management tools and systems to avoid risks and uncertainties to placate the 'emotional' need for rules (Davis 2014).

Based on the discussion above, we can observe differences between Hofstede's cultural values and our findings in Korea and Japan (see Table 3). The power distance values, the masculinity-femininity values as well as the uncertainty avoidance values show different results between Hofstede's values and our analysis. With regard to the implementation of sustainability practices, we argue that Korean companies show lower power distance and higher uncertainty avoidance behaviour, while Japanese companies show rather feminine behaviour. These findings are contradictory to Hofstede's values. Thus, given the conflicting ratios between Hofstede's cultural values of power distance, masculinity-femininity and uncertainty avoidance, we conclude that all three values are not useful and applicable in explaining an influence on the implementation of sustainability practices.

Conclusion

This paper has provided a close examination of corporate sustainability practices between Korean and Japanese companies and their links to cultural values. Overall, it can be concluded that there is a relationship between the intention, integration and implementation of sustainability practices and cultural values. Several key conclusions can be drawn from this study. First, the similarities and differences in corporate sustainability practices between Korea and Japan have been identified. With regard to the intention to pursue sustainability practices, external stakeholders in both samples are regarded as promoting corporate sustainability, but the business oriented external stakeholders (e.g., consumers, banks and trade associations) of Japanese companies seem to be promoting this intention more than those of the Korean companies. From an integration perspective, both the Korean and the Japanese companies regard their CSR/sustainability departments and top management as being the most engaged organisational units to deal with sustainability. But also differences in the integration of organisational units can be observed between Korean and Japanese companies, with Korean companies preferring strategic planning, while Japanese companies focus on involving various organizational units rather than setting up operation-oriented units.

In the implementation of sustainability tools, companies in Japan demonstrate a more advanced level of application of sustainability management tools, in particular environmental accounting, green purchasing and eco-audits. Relatively long term implementation tools such as environmental management systems, quality management systems, environmental reports, corporate volunteering and corporate giving are well implemented in companies in both Korea and Japan.

From a cultural perspective, similarities and differences between Korea and Japan were also revealed. With regard to intention, companies in both countries have adopted a more holistic approach and are interested in the durability of their companies to serve their stakeholders and their society, which explains the overall influence of external stakeholders. In contrast, Hofstede's individual dimension scores for Korea and Japan seem to contradict the findings. While companies in both countries consider NGOs as being a crucial part of their external stakeholders, NGOs are more present in individualistic societies, which contradict the low scores of both countries, particularly that of Korea. From an integration perspective, the overall minor differences in scores in almost all instances can be explained by the power distance dimension, which also shows only minor differences. The companies in both countries value formal organisational structures and top-down decision making, but differences in the integration are also observed. Korean companies have a higher score for PR, investor relations and marketing, which can be related to a lower score for masculinity compared to Japan. A lower score indicates femininity, which is linked to more compromise, negotiation and 'quality of life'. For the implementation, the significant differences in the application of sustainability management tools again show contradictory findings with regard to the masculinity dimension. As Japan has one of the highest scores worldwide in the masculinity dimension, the cultural context points to a slower adoption of sustainability practices. In contrast, given Korean companies' low score, companies are supposed to implement sustainability tools faster and more rigorously. These contradictory findings for masculinity in Japan can also be observed for the uncertainty avoidance dimension. With a high score in this dimension, Japanese companies should be more resistant to innovation and change. We summarise our key findings to highlight the usefulness and applicability of Hofstede's cultural values in the following Table 4.

We conclude that Hofstede's studies of cultural values are partially useful and applicable in explaining the intention, integration and implementation of sustainability practices. While the power distance value dimension shows a similar pattern with regard to intention and integration, the power distance value dimension seems not to be applicable with regard to the implementation of sustainability practices in Korea and Japan. The individual value dimension also seems not to be applicable for the intention of companies to adopt sustainability practices. Moreover, the masculinity-femininity dimension seems to be only applicable for the integration of sustainability practices, but not for their implementation. Overall it seems that Hofstede's cultural values are useful in explaining the integration of sustainability practices, but not their implementation.

Table 4 Cultural values with regard to intention, integration and implementation

	PDI		IDV		MAS		UAI		LTO	
	Korea	Japan	Korea	Japan	Korea	Japan	Korea	Japan	Korea	Japan
Hofstede	**Higher**	**Lower**	**Lower**	**Higher**	**Lower**	**Higher**	**Lower**	**Higher**	**Higher**	**Lower**
Applicability:										
Intention	Yes	Yes	***No***	***No***	-	-	-	-	Yes	Yes
Integration	Yes	Yes	-	-	Yes	Yes	-	-	-	-
Implementation	***No***	***No***	-	-	***No***	***No***	***No***	***No***	-	-

Note: The bold text in the table highlights the characteristics of cultural values and corporate sustainability management practices

We acknowledge some limitations to this study, which may offer the opportunity for future research. With the small sample size in the survey, some caution should be applied in generalizing the findings. It is notable that some of the findings are driven by the fact that the size of the firm and financial markets scrutinize these firms very closely. We encourage researchers to conduct large sample-based surveys in both countries to test our findings for research validity. In addition, case studies in Korea and Japan can provide in-depth insights into sustainability practices and national contexts.

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