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Societal, Environmental and Stakeholder Value Drivers: A Case Analysis of US and Asian International Firms

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There is a shift in the role of business in society where societal, environmental and stakeholder value drivers could reshape the basis of economic competitive advantage. Investors are willing to pay a premium for well-governed companies because of positive perceptions of CSR. Organizations respond to the value drivers to endure and function effectively along the societal, environmental and stakeholder dimensions. In this article case analysis is performed for four international firms, chosen from USA/Europe and Asia, with distinguished records of sustainability. The case studies were based on the company sustainability reports and related material published in EthicalCorp, CSRWire and Covalence online publications. Assessments were performed using publicly available information. The non-parametric correlation analysis shows that firms with better commitment to CSR respond more to societal, environmental and stakeholder drivers through strategic initiatives. This improves their competitive advantage as assessed by economic value added.

Rationale

There is growing evidence that globalization has made traditional competitive advantages less significant. In such a situation, enterprises are

searching for new, broader sources of competitive advantage. These include societal, environmental and stakeholder initiatives. The Global Survey of Business Executives¹ considered the relationship between corporate responsibility and corporate

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performance where an impressive 84 per cent generate high returns to investors, but balance this with contributions for the broader public good. Investors are willing to pay a premium for well-governed companies because of the positive perceptions of corporate social responsibility (CSR). For instance, for Asia, premium levels of company shares are 25 per cent in China, 25 per cent in Indonesia and 23 per cent in India (*McKinsey Quarterly* 2006). Traditionally, in business there is an entrenched assertion that environmental integrity and societal equity conflict with economic prosperity (Bansal 2005). Firms develop their activities to respond to societal, environmental and stakeholder drivers in order to maintain their competitive position. Improved interactions with customers, developing sustainable products, and adhering to policies beneficial to communities helps firms develop intangible, valuable assets that can be sources of competitive advantage (Katrinli 2006). The congruence between a supportive organizational culture with the societal, environmental and stakeholder expectations results in improved performance (Hillman and Keim 2001). The underlying value drivers inherent in firms, which add increased value, need to be identified. Business is transforming from profit making to a role that integrates societal, environmental and stakeholder drivers with more socially responsible initiatives. This integration has major influence on competitive value (Swift and Zadek 2002).

CSR is characterized by three areas of responsibility². The economic focus maintains growth and profitability. The legal focus provides legitimacy and compliance. Ethical practices guide right behaviour and the full commitment to CSR that goes beyond compliance (Carroll 1979). The challenge of CSR is to insure a firm's responsiveness

to stakeholders and gain competitive advantage (Marcus and Anderson 2006). The value drivers play a crucial role in achieving better performance reflected by economic value added (EVA).

There are several perspectives on societal, environmental and stakeholder value drivers. The 'societal value added' perspective represents transformational leadership, values and innovation. The emphasis on 'value performance' includes financial and non-financial measures and reporting systems (Zairi and Peters 2002). Adopting value performance requires the adaptations of traditional business models (Sharma and Henriques 2005). The 'economic' aspect of corporate social responsibility responds to the 'moral' stance of business (Windsor 2006).

Clarkson (1995) and Mitchell et al. (1997) proposed that stakeholder pressures lead to innovations in firms because of stakeholder criticality. Donaldson and Preston (1995) linked the rights of stakeholders in a business ecosystem to better economic performance. Burns (2003) emphasized the triple bottom line performance for firms that benchmarked the value of CSR to business results.

Societal, Environmental and Stakeholder Value Drivers and Economic Value Added

Value drivers are indicators for measuring and reporting different aspects of sustainability (GRI 2000). Corporate reputation acts as an indicator of the value of firms. Ramus (2002) found a connection between environmental performance and economic performance. Improved competitiveness relates to value drivers because of the impact of each driver on better performance (Schaltegger and Wagner 2003).

Societal, environmental and stakeholder value creation is assessed as EVA. Corporate social

responsibility combined with strategy builds competitive advantage. Sustainability practices need to be demonstrated in performance. EVA is an appropriate measure of results because it can show the impact of sustainability actions.

Economic value added for a firm emphasizes earning a return greater than the cost of capital. EVA is defined by the product of the difference of the operating return on assets and cost of capital times the average operating assets (Dillon and Owers 1997). EVA is a measure of value created in firms that compares the return from operations with the cost of financing those operations.

Case Analysis

Case analysis is performed for four international firms with a distinguished record on sustainability practices. The manufacturing/steel and electronics/white goods industries are represented, each with

two firms chosen from USA/Europe and Asian regions. Two international firms have global presence (Toyota, USA and Philips, Holland) and two firms have a stronger presence in Asia (Tata Steel, India, and LG Electronics, South Korea). The choice of firms from different regions allows the analysis of appropriate societal, environmental and stakeholder value drivers across different socio-political, cultural and economic climates and industries.

The case studies were based on the company sustainability reports and related material published in EthicalCorp³, CSRWire⁴ and Covalence⁵ online publications. Assessments were performed using publicly available information. The societal, environmental and stakeholder value drivers (44 items) were identified from a literature review, as well as the MIBE study⁶ and Arthur D. Little studies (Box 1).⁷

Box 1

Generic Value Drivers

Societal value drivers

1. Fair business practices
2. Ethical behaviour for all
3. Values disclosure
4. Corporation & community
5. Invests in the communities
6. Rights of consumers
7. Information that is truthful
8. Company is open to critiques
9. Fair practices with suppliers
10. Return on investment

Environmental value drivers

11. Commitment to environment
12. Sustainability commitment
13. Written environmental policy
14. Environmental targets
15. Sustainability report
16. Environmental management
17. Environmental purchasing

18. Environmental training
19. Employee responsibility for environment
20. Life cycle analysis
21. Management understands sustainability
22. Fossil fuel use reduction and uses renewable energy sources
23. Toxic chemical use reduction
24. Reducing unsustainable items
25. Recognition to employees environmental initiatives
26. Quantitative measures for environment
27. Qualitative measures for environment

Stakeholder value drivers

28. Employee development
29. Equitable reward and wage

30. Responsible HRM
31. Board-level ethics
32. Quality products/services
33. Stakeholder relations
34. Friendly work environment
35. Same standards globally
36. Encourage new ideas
37. Encourage experimentation
38. Environmental training
39. Allow skill enhancement
40. Suggestion scheme
41. Dialogue with stakeholders
42. Share company information
43. Flexible communications
44. Rewards employee contributions

Comparison of the Societal Value Drivers

Table 1 compares societal value drivers. Toyota illustrates a distinctive position displaying concern for the society through the introduction of fuel cell hybrid vehicles and ultra-low emissions. It has adopted 'kaizen' for continuous improvement by coaching rather than a quick fix. Tata Steel similarly displays a commitment to societal issues. Sixty-three per cent of its capital is held by the Tata Council for Community Initiatives (TCCI). The company has the MD Online process to respond to criticism. Through its Millennium Development Goals (MDGs) and Global Compact, the company displays ethical values.

Toyota and Tata Steel are confronting pressures regarding market demand and regulatory challenges with respect to resource optimization. Both organizations are committed to sustainability practices related to supplier environmental standards and the adoption of performance standards for waste management and pollution prevention. Philips has an integrated model approach to achieve sustainability. Through fair disclosure and equal treatment, the company sets an example in commitment to societal values. Philips has extended its collaborative approach by working together with BMW and Toyota to eliminate mercury for the Xenon Lighting automotive systems. LG Electronics focuses on societal value drivers for appropriate business development. The company values the opinions of customers and adopts them to create more value in its products.

The Philips and LG Electronics cases demonstrate more commitment to cooperative relationships. Each organization is different in terms of culture and goals, but responds to the societal, environmental and stakeholder imperatives as

critical value drivers. Further details are provided in Table 1.

Comparison of the Environmental Value Drivers

Firms add value through major environmental initiatives. As depicted in Table 2, Toyota's emphasis on the environment begins at the design stage. Redesign of parts is based on a life cycle assessment of the aluminium cylinder block and air-conditioner that uses CO₂ replacing CFC as a coolant. Toyota is pursuing the development of fuel cells, a regeneration battery and hydrogen refueling stations. Tata Steel integrates CSR with its brand image. The firm goes 'beyond compliance' through social audits and eco-labelling. It was the first corporation in India to adopt the Global Reporting Initiative.

Both the firms rely on 'green teams' and life-cycle costing. Life cycle assessment evaluates the cost of a product from the cradle to grave. These firms realize that waste released to the environment is an inefficient use of expensive resources and a potential legal liability.

Philips has adopted the EcoVision programme to eco-design its green flagship products. The 32-inch TV illustrates this. It uses lead-free soldering and mercury reduction. At Philips sustainability is a key commitment at all levels. The People Performance Management (PPM) appraisal system integrates corporate values and designing for the environment. LG Electronics has initiated an 'environment first' policy. Its 60-inch TV received the EDP Certification. Its 'declaration for a cleaner environment' meets ISO 14001 and conforms to a green purchase system. To reduce the use of hazardous substances, it uses the ATROiD (Assessment Tool for Recycling Oriented Design) process.

Table 1
Comparison of Societal Value Drivers

<i>Driver</i>	<i>Toyota</i>	<i>Philips</i>	<i>Tata Group</i>	<i>LG Electronics</i>
1. Fair business practices	Hybrid and ultra-low emissions, fuel cell hybrid vehicles	Company-wide sustainability key performance indicators	Tata Council for Community Initiatives, Global Compact; MDGs	Encourages fair competition to promote social responsibility
2. Ethical behaviour for all	'Kaizen' continuous improvement, coach rather fix	An embedded model approach to drive sustainability	Professionalism, honesty, integrity ethical standards	Employees carry out their duties based on fairness to foster a sound culture
3. Values disclosure	Fuel efficiency standards; CO ₂ emissions; recycling	Press releases, website; fair disclosure and equal treatment	Disclosures from Directors and key managerial personnel	No clear evidence
4. Corporation & community	Environmental educational facility; forest; biomass	Social investments support communities	Self-reliant communities; family welfare	Rational business development
5. Invests in the communities	One-Percent Club, contributes 1% to philanthropy	200 social projects, healthcare and education	63 per cent capital held by Tata Council for Community Initiatives	Assistance to drought- or flood-damaged areas; protecting wild animals
6. Rights of consumers	'Customer comes first', build relations with its customers	Xenon Lighting automotive systems with BMW and Toyota; eliminated mercury	Value creating partnerships, product development cycle time	Opinions of customers form the very basics of business; respect for customers and creating value.
7. Truthful information	Feedback from customers; traffic safety activities	Global Consumer Service (GCS)	No specific detail	Transactions based on fair competition, build cooperative relationship
8. Company is open to critiques	Hotlines for resolution of issues on compliance	Responds to critiques, transparency, human rights	Tata Group has MD Online to handle critiques.	No specific evidence
9. Fair practices with suppliers	Supplier ISO 14001 certification, green purchasing	Philips Supplier Declaration on Sustainability	Promote value creating partnerships with suppliers	Equal opportunities; equitable circumstances
10. Return on investment	No concrete information available	Elaborates financial results by conference calls; Philips Product Divisional analysts' days; broker conferences	Concern for shareholders' stock price, address concerns EVA positive, EBIT, dividends and P/E ratio	Respect for rights of stockholders; protect interests of shareholders

Table 2
Comparison of Environmental Value Drivers

<i>Driver</i>	<i>Toyota</i>	<i>Philips</i>	<i>Tata Group</i>	<i>LG Electronics</i>
11. Environmental commitment	Development of environmental technology	Green flagship products; weight	CSR is integrated with the brand image, embed compliance	Environment first; cleaner environment by selecting green products
12. Commitment to sustainable development	Zero landfill waste; 5 per cent reduction in CO ₂ emissions	EcoVision programme	Social audit, life cycle assessment and eco-labelling	Aims to lead business group in environment, safety and health
13. Written environmental policy	Environmental reports since 1998	Has a written environmental policy	Environmental laws; conserve natural resources	Written policy of EESH (energy, environment, safety and health)
14. Targets for environmental performance	Targets for environmental performance	Eco-efficiency targets are set; eco-designed green 32-inch TV	Some targets; no specific details	60-inch first certification of environmental declaration (EDP certification)
15. Sustainability report	Environment Monitoring Report	Publishes sustainability report	GRI four years ago; verified by PWC every year	Cleaner environment meets ISO 14001; EESH inspections
16. Environment management system	Fuel efficiency; emissions; clean energy vehicles	Sustainability key driver at all levels of economic pyramid	ISO 14001 EMS certification	Actively followed
17. Environmental purchasing policy	Compliance for suppliers of parts and accessories	Has initiated sustainable purchasing	Funds paid to the suppliers for reclaiming waste	Green purchase system; to check use of hazardous substances
18. Environmental training and education	Environmental education to employees	No direct evidence	Extensive training for EMS & OHSMS	EESH training; IBL (Internet-based learning) course; EESH; ISO 14001

19. Employee responsibility for environment	Zero accident record; lower noise and dust	People Performance Management (PPM) appraisal	No specific evidence	Transparent management is one of LG Electronics' corporate ethical criteria
20. Life cycle analysis (assessment)	LCA redesign of aluminum cylinder block	Well defined life cycle analysis policy	Life cycle assessment study; examines from the cradle to grave	Conducted LCAs for products, ATROiD (Assessment Tool for recycling Oriented Design)
21. Management understands sustainability	Policy for clean products	Embedding design for the environment	Effective CO ₂ emission; slag granulation	Alternatives to heavy metals; expended producer
22. Fossil fuel reduction, uses renewable energy	Fuel cell; secondary battery	Not much evidence of fossil fuel use reduction efforts	No specific initiative	Minimizes the wasteful spending of energy; recycles the wastewater
23. Toxic chemical use reduction	Air-conditioner that uses CO ₂ (not CFC)	Lead-free soldering and mercury reduction	Water recirculation; recycling of ash quenching water	Ended lead use; replaced the chlorine/alcohol cleaners with water-based cleaners
24. Reducing unsustainable products	DPNR (Diesel Particulate NO _x Reduction)	ISO 14001 take-back/recycling	CFC consumption reducing; collieries achieved zero discharge	Lead-free solder products; 'green' refrigerator; foaming agents ozone depletion zero
25. Recognition to employees' environmental initiatives	No specific mention on this issue available	T in the DJSI index ranking; AEX list of businesses	Employee recognition and motivation schemes	No clear evidence
26. Quantitative environmental measures	No direct evidence is available on this aspect	GRI, ISO 14001 and ISAE 3000	Greenhouse gas emissions; energy intensity; steel recycling	No specific information
27. Qualitative measures for environment	Proactive prevention; best practices; case studies	Member of WBCSD	Value balancing; reduction of raw material/energy consumption	No specific information

Both Philips and LG Electronics believe that future profitability would largely rely on pollution prevention, related design changes and recycling programmes. This emphasis results in positive environmental impacts and a higher EVA (details Table 2).

Comparison of the Stakeholder Value Drivers

Stakeholder value drivers are concerned with the groups that are affected by or can influence the firms' actions. Toyota encourages multi-skilling and quality circle initiatives for employee support. Tata Steel uses the corporate citizenship index defined by competency coverage ratio that involves quality improvement plans. Tata Steel commits to stakeholders by the Tata Ethical Code, a three-tier joint consultation system for sustainability to achieve positive EVA.

Philips supports its employees to adopt sustainability through employee engagement and empowerment. Significant innovations like biometric template protection and radio frequency identification provide superior value for customers. LG Electronics responds to stakeholder value drivers by adhering to the code of ethics and through eco-product development training. LG believes that aligning employees with the commitment of sustainability generates greater innovation. Table 3 compares the specific stakeholder value drivers.

Comparative Analysis

This analysis has three fundamental dimensions: significance, direction and magnitude. A five-point scale was used for comparison, with +2 as 'extensive evidence', +1 for 'somewhat evident', 0 for 'neutral', -1 for 'little evidence' and -2 for 'no evidence'. 'Extensive evidence' meant that the

practice was presently implemented and specifically identified in the sustainability report. 'Neutral' signifies that the facts do not provide clear evidence of the presence of the policy practice and 'no evidence' meant that such practice did not appear.

The correlation between the firms with the level of societal, environmental and stakeholder driver ranks are indicated by Spearman's rho analysis. This is a non-parametric rank order correlation coefficient that empirically indicates the direction, strength and significance of bivariate relationships (Chatterjee 2000). This is suitable for the present analysis because different firms have different rankings based on responses to the societal, environmental and stakeholder drivers. The overall comparative rankings (societal, environmental and stakeholder value drivers combined) of the case studies of Toyota, Philips, Tata Steel and LG Electronics are indicated in Table 4.

The highest total score is 53 for Tata Steel (Table 4) out of a possible maximum of 88. This is quite average, indicating the firm's deployment of the value drivers is in the middle range. Tata Steel (1.20), Philips (1.09) and Toyota (0.91) are the top three firms in terms of mean score per item. This indicates that the societal, environmental and stakeholder value drivers are 'somewhat evident'. LG Electronics (1.49) and Philips (1.33) have the higher standard deviations from the mean, suggesting that there is more variation of the impact of drivers on a company compared to its peers.

Table 5 presents the non-parametric correlation of the overall case analysis indicating a number of significant relationships. Rank order compares the rating of companies on the drivers. The higher the correlation, the more the company responds to the drivers. The more the company commits to CSR, the more they respond to the drivers.

Table 3
Comparison of Stakeholder Value Drivers

<i>Driver</i>	<i>Toyota</i>	<i>Philips</i>	<i>Tata Group</i>	<i>LG Electronics</i>
28. Employee development	On-the-job training; awareness programmes	Focus to empower employees to develop skills for next position	Encourages participation of workforce in the management	Flexible communications; employees with an equal opportunity
29. Equitable wages	Good reward and wage system in place	Concentrating on employee engagement	Link pay with performance; key result areas	Understanding behaviourally as individuals and team
30. Responsible HRM	Continuous improvement, multi-skilling	Challenged employees with sustainability as a key driver	Exemplary HRM; corporate citizenship index	The LG Health Index; health programme; assess value addition
31. Board-level ethics	The Toyoda Precepts; ahead of times	The Philips Sustainability Board	The Tata Ethical Code, ethical oversight at board levels; aim to be EVA positive company	Creating value for customers autonomous management; adheres to code of ethics as a standard
32. Quality products services	Quality at the design stage; parts fitted with precision, quality audits	Customer feedback during stages of the life cycle; product creation includes customer interactions	International standards of quality and customer service; high ethical standards and values; export thrust	Responds to customer complaints; offers best products and services; safe and clean environment
33. Stakeholder relations	Life cycle has impact on society; dialogue with public authorities and customers	Continuing stakeholder dialogue; listening to internal and external stakeholders	Vision statement delineate identification of stakeholders; balancing needs; investor survey; balance scorecard	Volunteer activities; enlightening employees about the environment and safety; providing clear information to satisfy the needs of customers
34. Friendly work environment	Create a workplace where employees can work with their trust in the company; stable employment	Though circumstantial evidence point towards a family-friendly work environment; there is no specific evidence in this regard	Competency coverage ratio; knowledge management index; involvement in annual quality improvement plans	Value system continuous self-development and fairness in performance; employees take pride in their company and always maintain an honest and fair attitude

(Table 3 continued)

(Table 3 continued)

<i>Driver</i>	<i>Toyota</i>	<i>Philips</i>	<i>Tata Group</i>	<i>LG Electronics</i>
35. Same standards at home and abroad	Consolidated EMS for overseas distributors	EcoVision; ISO 14001; supplier requirements are worldwide	Commitment to global standards reflected in its vision	Helped overseas plants strengthen accident prevention activities
36. Encourage new ideas	Sustainable Mobility Project; 2030 vision	Biometric template protection; radio frequency identification (RFID)	Recycling spillage by vacuum; dry fog dust suppression	Vacuum cleaner employs dust-collecting mechanism; centrifugally separates dust and air
37. Encourage experimentation	Emissions impact on eco-system; transport-related noise	Challenged employees on new business, with sustainability as a key driver	Encourage experimentation; change of mindsets	Inadequate evidence in this regard
38. Conduct environmental training	Environmental training, training on ISO 14001	No specific detail available on this aspect	Training on ISO14001 & OHSAS-18001; EHS sustainability	Eco product development as a compulsory training course
39. Allow skill enhancement	Specific evidence lacking	No specific detail available on this aspect	Retraining and skill augmentation	Strives to foster creativity among its employees
40. Suggestion scheme	Creative suggestion; QC circle activities	Key performance indicators of communication	Suggestion scheme in place	An effective suggestion scheme in place
41. Dialogue with stakeholders	Development of the local community; green marketing	Electronic communication; a 'Connected Planet' approach	Prioritized stakeholder consultation and the frequent stakeholder engagement	Co-prosperity; co-prosperity and cooperation with every stakeholder
42. Share company information	Sense of critical urgency through communication	Stakeholders assurance, credibility	Publishes corporate sustainability report	Provides customers with product-related safety precautions
43. Flexible communications	The Code of Conduct; hotline for compliance	Responsible transformation for employees; employee engagement index	Three-tier joint consultation system; MD Online interacts with employees	Environment to express suggestions; flexible communications with employees
44. Rewards employee contributions	No concrete information available	Financial results by conference calls; broker conferences	Strategy/sustainability issues that address EVA; EBIT	Respects rights of stockholders; protect interests of majority shareholders

Table 4
Overall Evaluation of the Case Studies

	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>	<i>LG Electronics</i>
Total score (highest = 88)	40	48	53	23
Mean score per item	0.91	1.09	1.20	0.52
Standard deviation	1.22	1.33	1.13	1.49

Table 5
Correlation Analyses: Combined Value Drivers

	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>
Philips	0.373*	–	–
Tata	0.338*	0.340*	–
LG	0.236	0.146	0.149

Note: * Correlation is significant at the 0.05 level (2-tailed).

Toyota has significant correlation with Philips and Tata. Also, Philips is significantly correlated to Tata. The societal, environmental and stakeholder value drivers are consistently demonstrated in these firms. The global and Asian emphases

on value drivers are not very different. Significant correlations between Philips in the electronics industry and Tata Steel in the manufacturing industry, and between LG Electronics, representing the electronics industry indicate that a similar set of value drivers are considered important, irrespective of the industry.

Considering societal value drivers (Table 6), Tata Steel (1.50) maintains its position at the top, while Toyota (1.00) supersedes Philips (0.90). The highest score is 12 out of a possible maximum of 20, is a modest response to the societal drivers. Comparing the mean scores indicates Tata Steel responds most to societal value drivers, while Toyota emphasizes these drivers more than Philips. It is also possible to identify few 'key societal drivers' based on the high total scores across the driver items (Table 6). These are fair business practices, ethical behaviour for all, investment in the community, rights of consumers and fair practices with suppliers. The key drivers represent certain initiatives that are consistently and significantly responsive to societal drivers across the firms.

Table 6
Summary of Societal Value Drivers in the Case Studies

<i>Societal value drivers</i>	<i>Toyota</i>	<i>Philips</i>	<i>TATA Steel</i>	<i>LG Electronics</i>	<i>Key drivers (higher scores)</i>
1. Fair business practices	+2	+2	+2	+2	+8
2. Ethical behaviour for all	+1	+2	+2	+1	+6
3. Values disclosure	+2	+2	+1	–2	–
4. Corporation & community	+1	+2	+2	–2	–
5. Invests in the communities	+2	+1	+2	+1	+6
6. Rights of consumers	+2	+1	+2	+1	+6
7. Information that is truthful	0	+1	–1	+1	–
8. Company is open to critiques	+1	–2	+2	–2	–
9. Fair practices with suppliers	+1	+2	+1	+1	+5
10. Return on investment	–2	–2	–1	–2	–
Total score (societal) (highest possible = 20)	10.0	9.0	12.0	–1.0	–
Mean score (societal)	1.00	0.90	1.50	–0.10	–
Standard deviation	0.74	1.36	1.07	1.69	–

Table 7 indicates the non-parametric correlations for societal value drivers. None are statistically significant at the level 0.05. The emphasis of societal value drivers is very similar across all the companies.

Considering the Environmental value drivers (Table 8), the rankings change considerably with Philips (1.24), Toyota (1.18) and LG Electronics (0.88). Results indicate that these firms are more influenced by the environmental drivers to develop initiatives. There is also a wide variance of scores of environmental value drivers indicating varying levels of the commitment of the company compared to the peer group.

Table 7
Correlation Analyses: Societal Value Drivers

	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>
Philips	0.186	—	—
Tata	0.299	−0.009	—
LG	0.243	0.093	0.145

Note: *Correlation is significant at the 0.05 level (2-tailed).

Nine key environmental drivers emerge based on common responses. Firms emphasize environmental and sustainability commitment. There is a focus on environmental targets based on written environmental policy, sustainability reporting and environmental management.

Table 8
Summary of the Environmental Value Drivers

<i>Environmental value drivers</i>	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>	<i>LG Electronics</i>	<i>Key drivers (higher scores)</i>
11. Environmental commitment	+2	+2	+2	+2	+8
12. Sustainability commitment	+2	+2	+2	+2	+8
13. Written environmental policy	+2	+2	+2	+2	+8
14. Environmental targets	+1	+2	+2	+1	+6
15. Sustainability report	+2	+2	+2	+2	+8
16. Environmental management	+2	+2	−1	+2	+5
17. Environmental purchasing	0	−2	+1	−1	—
18. Environmental training	+1	−1	+1	+2	—
19. Employee environmental responsibility	+1	+1	−1	−1	—
20. Life cycle analysis	+1	+2	+2	+2	+7
21. Management understands sustainability	+2	+2	+2	+2	+8
22. Fossil fuel reduction and uses renewable energy sources	+1	−1	−2	+1	—
23. Reduction of toxic chemical	−2	+2	−2	+1	—
24. Reduce unsustainable items	+1	+2	+1	+1	+5
25. Recognition of employee environment initiative	0	+1	+1	−1	—
26. Quantitative envtl measures	+2	+2	+1	−1	—
27. Qualitative environmental measures	+2	+1	+1	−1	—
Total score (environmental)	20.0	21.0	14.0	15.0	—
(highest possible = 34)					
Mean score (societal)	1.00	0.90	1.50	−0.10	—
Standard deviation	0.74	1.36	1.07	1.69	—

Table 9
Correlation Analyses: Environmental Value Drivers

	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>
Philips	0.469*	–	–
Tata	0.476*	0.494*	–
LG	0.461*	0.508*	0.533*

Note: *Correlation is significant at the 0.05 level (2-tailed).

The correlations for the environmental value drivers (Table 9) indicate that there is significant correlation between Toyota and Philips (0.469), Tata Steel (0.476) and LG Electronics (0.461). The correlations between Philips and Tata Steel (0.494), and LG Electronics (0.508) and Tata Steel and LG Electronics (0.533) are all significant. The statistical significance indicates the importance the firms attach to the environmental drivers.

The results support the influence of a common set of critical environmental drivers in the firms.

Table 10 represents the summary of stakeholder value drivers. Interestingly, Tata Steel (1.59), Philips (1.06) and Toyota (0.59) are at the top, different from earlier rankings.

Tata Steel has the highest score of 27 out of a possible 34. The company has been consistently committed to stakeholder responsibility. The key drivers that are common to the firms are responsible HRM, board-level ethics, quality products/services, stakeholder relations and dialogue with stakeholders.

The correlation analysis for stakeholder value drivers (Table 11) shows no significant relationships.

Table 10
Summary of the Stakeholder Value Drivers

<i>Stakeholder value drivers</i>	<i>Toyota</i>	<i>Philips</i>	<i>TATA Steel</i>	<i>LG Electronics</i>	<i>Key drivers (higher scores)</i>
28. Employee development	+1	–1	+1	–1	–
29. Equitable reward and wage	–1	+1	+2	+1	–
30. Responsible HRM	+2	+1	+2	+1	+6
31. Board-level ethics	+1	+2	+2	+2	+7
32. Quality products / services	+2	+2	+2	+1	+7
33. Stakeholder relations	+2	+2	+1	+2	+7
34. Friendly work environment	+1	–1	+2	+2	–
35. Same standards globally	–2	+2	+1	–2	–
36. Encourage new ideas	+1	+2	+2	+2	+7
37. Encourage experimentation	+1	+2	+1	–1	–
38. Environmental training	+1	–1	+1	+2	–
39. Allow skill enhancement	–2	–1	+2	+1	–
40. Suggestion scheme	+1	+1	+1	–2	–
41. Dialogue with stakeholders	0	+2	+2	+1	+5
42. Share company information	+1	+2	+2	+1	–
43. Flexible communications	+2	+1	+1	–2	–
44. Employee contribution rewards	–1	+2	+2	+1	–
Total (highest possible = 34)	10	18	27	9	–
Mean score (stakeholder)	0.59	1.06	1.59	0.53	–
Standard deviation	1.39	1.35	1.16	1.18	–

Table 11
Correlation Analyses: Stakeholder Value Drivers

	<i>Toyota</i>	<i>Philips</i>	<i>Tata Steel</i>
Philips	0.171	—	—
Tata	0.168	0.346	—
LG	0.155	−0.098	−0.082

Note: *Correlation is significant at the 0.05 level (2-tailed).

Critical Societal, Environmental and Stakeholder Value Drivers

The empirical findings of the case analyses indicate that there is an association between companies' societal, environmental and stakeholder strategies, and the drivers to which they respond. There are a number of key drivers that are common to the companies. The findings also denote that best practice firms are developing specific strategies like targeted fuel efficiency levels, specific reduction in emissions and clean energy vehicles (for Toyota) and the EcoVision-embedded model for sustainability (for Philips) based on these value drivers. The 'triple bottom line' approach of firms to sustainability and value creation reflects that they are influenced by drivers to undertake societal, environmental and stakeholder initiatives.

For societal issues, ethical business practices and high standards of employee ethical behaviour are emphasized in all the sustainability reports. Developmental projects for communities, fair practices for suppliers, and the rights of consumers have strong support as drivers.

The specific commitment to the environment included measures of environmental impact, training on environment and on environmental management system. Similarly, a written environmental policy incorporates targets for environmental performance and the availability of a

sustainability report. Sustainability through the balanced use of resources reduces negative environmental impacts. The reduction of fossil fuels and the use of renewable energy sources were found to be important key initiatives for energy conservation and resource optimization. The use of life-cycle analysis and toxic chemical reduction are clearly important for sustainability. Finally, eliminating unsustainable products demonstrates positive commitment to the environment.

For stakeholder drivers the key actions include responding to societal and environmental issues. There are specific and repeated instances of stakeholder responsiveness in the case studies. Board-level ethical standards are a critical driver for mutual partnership between the corporation and the community regarding societal and environmental issues. Sharing information and openness are drivers relating to dialogue with stakeholders.

Discussion and Implications

The analysis of the case studies and the ranking process identify the key societal, environmental and stakeholder value drivers in international firms. There is an overall positive trend among companies responding to these value drivers by strategic initiatives. However, the average scores for the drivers shows that even the companies most committed to CSR are not fully responsive to them. This provides scope for enhancement of the initiatives. Though the companies differ in terms of industry, location and products, this set of drivers relating to societal, environmental and stakeholder issues do influence the strategic initiatives they implement.

This case analysis only includes four companies. The results should be interpreted with

caution given the small number of cases. There may be a bias because the cases selected are representative of the companies that support CSR.

Firms are realizing that they need to develop strategic actions in response to societal, environmental and stakeholder drivers. The impact of these initiatives fundamentally affects their competitive position. The innovations highlighted through the case studies are indicative of the triple

bottom line trends and the responsiveness of good companies to these drivers. They are important 'mirrors' of the long-term expectations of sustainable development. Organizations that respond more effectively to the societal, environmental and stakeholder value drivers will achieve greater social responsibility and higher value added. However, these case studies indicate that there is still a long way to go.

NOTES

1. See http://www.adb.org/Documents/Periodicals/ADB_Reivew/default.asp, accessed June 2006.
2. Dr Salil's current follow-up Research (since January 2007) on Green Growth and Corporate Societal (not Social) Responsibility, i.e., CSoR, and not CSR, posits, not three, but *four dimensions*: Societal, Environmental, Stakeholder and Ethos. The Ethos dimension adds value on the 'Spiritual Corporate Space'.
3. *Ethical Corporation*, <http://ethicalcorp.com>, accessed July 2006.
4. *CSRWire Sustainability Reports*, <http://161.58.184.185/csr/index.mpl?arg=p-r>, accessed June 2006.
5. *Covalance*, http://www.covalance.ch/index_uk.php, accessed July 2006.
6. MIBE Studies: Environmental Research Project at the International Institute for Management Development (IMD), 1996, sponsored by companies who see environmental management as a source of competitive advantage. <http://www01.imd.ch/research/projects/index.cfm?projectID=164>.
7. *Business for Social Responsibility* (BSR), <http://www.bsr.org/>, and Arthur D. Little (ADL) Studies, <http://adl.com/insights>.

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