

Companies Grow More Aware of Environmental Problems—Nissay Business Conditions Survey (February 2003)

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1. Introduction

Amid calls to revise economic and social systems that lead to mass production, mass consumption, and mass waste generation, public concern has grown regarding global warming, ecological destruction, and waste disposal issues. Meanwhile, companies have become increasingly concerned about the environment, and are implementing environmental policies not only as a way to contribute to society, but as a critical component of overall management policy.

Under these conditions, the latest Nissay Business Conditions Survey (conducted jointly in February 2003 by Nippon Life Insurance Company and NLI Research Institute, with 2,608 valid responses nationwide) examines the status and issues of environmental policies among companies.

According to the survey, most companies continue to cite corporate social responsibility and corporate image improvement as reasons for tackling environmental issues. The main measures being taken are conserving resources and energy in offices, and reducing and recycling industrial waste. Regarding carbon dioxide emission, only 15% of companies monitor emission, and the main impediments cited are cost increases and lack of data and expertise. In addition, compared to the previous survey held two years ago, more companies are being asked by customers to adopt environmental measures, and are screening suppliers based on their environmental policies.

2. Overwhelming Proportion Motivated by Social Responsibility

Regarding why they engage in environmental problems, a strong and growing majority of companies (68.5%) cites social responsibility (compared to 61.0% in 2001; Figure 1). Thus the notion that companies share responsibility for environmental problems appears to have spread among companies. Moreover, as public interest in the environment grows, the

proportion of companies citing corporate image improvement (40.8%) has risen 7.2 points from the previous survey.

By industrial sector, many companies in the materials manufacturing sector cite specific reasons related to business—boosting product competitiveness (23.3%) and averting business risks associated with the environment (24.1%). By company size, large companies are more sensitive to social responsibility (78.5%), corporate image improvement (46.8%), and averting environment-related business risks (24.4%). A relatively large proportion of small & medium companies cites long-term cost benefits, indicating their strong focus on cost factors.

Figure 1 Reasons for Tackling Environmental Problems

(%)

	Better corporate image	More competitive product	Requested by customer, supplier	Social responsibility	Long-term cost saving	Avert environ. bus. risk	Rivals doing same	Other
All industries	40.8	16.8	15.5	68.5	10.9	19.3	1.8	2.2
Previous survey (Feb. 01)	33.6	16.8	12.9	61.0	8.2	16.4	1.5	15.5
Sector								
Materials manufacturing	32.7	23.3	15.3	65.1	12.8	24.1	1.1	0.9
Process manufacturing	41.1	18.9	20.8	69.0	10.3	21.5	1.4	1.3
Non-manufacturing	43.5	12.7	11.6	69.0	10.6	16.6	2.4	3.4
Company size								
Large	46.8	15.6	14.6	78.5	4.4	24.4	0.5	0.5
2nd-tier	43.7	17.6	14.6	70.2	10.1	19.5	1.7	1.7
Small & medium	38.3	16.6	16.0	66.0	12.4	18.3	2.1	2.7
Business conditions								
Good, somewhat good	40.2	16.1	17.0	70.2	9.5	23.6	1.8	2.0
Normal	42.2	14.7	13.3	69.4	11.8	17.3	2.0	2.0
Bad, somewhat bad	40.4	18.2	15.9	67.4	11.0	18.4	1.7	2.4

Note: Numbers may not add up to 100 due to multiple responses.

3. Measures Address Conservation in Offices, Industrial Waste

The primary environmental measures already being taken are conservation of resources and energy in offices (39.0%), reduction and recycling of industrial waste (36.9%), and ISO 14001 certification (26.2%; Figure 2). By industrial sector and company size, large companies in the manufacturing sector tend to be most active.

The most common measures under study are ISO14001 certification (16.1%), eco-friendly

design (12.5%), and reduction and recycling of industrial waste (12.5%). However, responses are quite varied. Of particular interest is the relatively high proportion of large companies that cite the introduction of environmental accounting (18.0%) and disclosure of environmental data (12.7%), indicating their positive stance in disseminating information on environmental issues to the public.

Figure 2 Environmental Policies Under Implementation or Study

	ISO 14001	Eco-design	Eco-friendly parts & matls.	Energy & re-source saving —mfg	Energy & re-source saving —office	Indus. waste reduc., recycl.	Eco-friendly, efficient distribu-tion	Environ. account-ing	Anti-soil pollution	Environ. disclo-sure	Other
Already implemented											
All industries	26.2	9.5	16.2	25.1	39.0	36.9	6.1	1.0	2.4	1.3	1.4
Sector											
Manufacturing	40.0	13.4	20.9	45.5	34.2	44.3	4.0	1.5	2.6	1.6	1.2
Non-manufacturing	14.3	6.5	11.9	7.5	43.1	30.9	8.0	0.7	2.0	1.1	1.4
Company size											
Large	53.5	17.1	21.9	28.9	48.7	39.0	5.7	4.8	2.2	3.9	0.4
2nd-tier	36.4	12.1	17.8	28.4	39.2	41.7	6.6	1.4	1.8	0.9	1.6
Small & medium	17.7	7.4	14.6	23.2	37.6	34.5	5.9	0.4	2.7	1.1	1.5
Under study											
All industries	16.1	7.9	12.5	8.2	8.0	12.5	10.1	6.3	3.3	5.8	1.4
Sector											
Manufacturing	20.5	12.6	18.4	14.5	9.3	16.6	11.6	8.9	4.5	6.5	1.3
Non-manufacturing	12.5	3.8	7.8	3.1	7.1	9.3	8.7	4.0	2.1	4.7	1.3
Company size											
Large	11.0	10.1	16.2	6.6	4.8	10.1	12.3	18.0	6.6	12.7	1.8
2nd-tier	14.4	8.1	13.4	8.4	8.4	13.3	10.9	9.1	3.7	7.5	1.1
Small & medium	17.7	7.4	11.6	8.3	8.3	12.6	9.5	3.4	2.6	4.1	1.5

Note: Numbers may not add up to 100 due to multiple responses.

4. Only 15% Monitor Carbon Dioxide Emission

Only 14.6% of companies monitor carbon dioxide emission, including 5.4% who do so across all operating stages, and 9.2% who do so in the main operating stages (Figure 3). This indicates that the status of monitoring carbon dioxide emission is not very advanced. Nonetheless, interest in carbon dioxide emission appears to be high—10.9% see a need and are studying the matter, while 48.8% see a need but are not studying the matter.

By industrial sector, progress is most advanced in the manufacturing sector, where over 20% of firms have some knowledge of carbon dioxide emissions. By comparison, only 8.6% in the

non-manufacturing sector do so, and moreover, interest is low—27.8% see no need to monitor carbon dioxide emission. By company size, over 30% of large companies monitor carbon dioxide emission—13.6% do so across all operating stages, and 17.5% do so in the main operating stages; another 14.0% see a need and are studying the matter. By comparison, these numbers are 3.5%, 8.4% and 9.8% respectively for small and medium companies. Thus activity in this matter increases with company size. Moreover, by business conditions, the better the conditions are, the more companies monitor carbon dioxide emissions.

Figure 3 Monitoring Status of Carbon Dioxide Emission

(%)

	In all stages	In main stages	Under study	See need, but not under study	Don't see need
All industries	5.4	9.2	10.9	48.8	21.8
Sector					
Materials manufacturing	<i>8.8</i>	<i>13.3</i>	12.6	46.5	15.8
Process manufacturing	<i>9.6</i>	<i>11.9</i>	15.3	45.5	14.8
Non-manufacturing	2.3	6.3	7.9	51.2	<i>27.8</i>
Company size					
Large	<i>13.6</i>	<i>17.5</i>	<i>14.0</i>	38.2	12.7
2nd-tier	7.3	8.7	12.2	48.2	19.0
Small & medium	<i>3.5</i>	<i>8.4</i>	<i>9.8</i>	50.6	24.3
Business conditions					
Good, somewhat good	<i>8.7</i>	<i>10.5</i>	<i>12.9</i>	46.8	16.5
Normal	5.7	11.1	11.2	46.0	21.3
Bad, somewhat bad	4.1	7.9	9.9	50.8	24.2

Note: Numbers may not add up to 100 due to multiple responses.

5. Carbon Dioxide Monitoring is Impeded by Cost

The main factor obstructing efforts to measure carbon dioxide emission is cost (42.6%; Figure 4). Other important factors are the lack of data and expertise (36.2%), lack of personnel (18.8%), and lack of technology (17.4%). This situation suggests the need for government action to inform the corporate sector and build the necessary infrastructure.

By sector, the primary issue varies—the materials manufacturing sector cites lack of technology (20.3%), while the non-manufacturing sector cites lack of funds (8.2%) and lack of government involvement (11.9%). By company size, a prominent factor for small and medium companies is that the issue lacks urgency (15.0%).

Among companies that have a grasp across all business stages, the most prominent issue is cost (50.0%), followed far behind by lack of information and expertise (16.9%). By comparison, companies that are still studying measures will apparently have to overcome several major issues—lack of information and expertise (48.1%), lack of personnel (23.0%), and lack of technology (20.5%).

Figure 4 Issues in Monitoring Carbon Dioxide Emission

(%)

	Cost increase	Lack of labor	Lack of technology	Lack of funds	Lack of data, expertise	Not urgent	Lack of govt. involvement	Other
All industries	42.6	18.8	17.4	5.3	36.2	13.2	9.0	5.7
Sector								
Materials manufacturing	49.3	18.8	20.3	1.4	31.9	13.0	4.3	5.1
Process manufacturing	35.2	21.1	17.3	4.9	38.7	14.8	9.5	5.6
Non-manufacturing	49.3	16.9	13.7	8.2	34.7	10.0	11.9	5.9
Company size								
Large	43.7	16.5	16.5	1.9	35.9	10.7	11.7	9.7
2nd-tier	40.9	17.3	15.9	4.8	40.4	11.5	10.6	4.3
Small & medium	43.2	20.1	18.6	6.5	33.9	15.0	7.3	5.4
Business conditions								
Good, somewhat good	50.0	12.0	10.6	7.7	16.9	7.7	13.4	8.5
Normal	43.2	17.8	17.8	2.1	33.6	10.8	11.2	5.4
Bad, somewhat bad	38.5	23.0	20.5	6.7	48.1	18.0	4.9	4.6

Note: Numbers may not add up to 100 due to multiple responses.

6. Slight Increase in Requests from Customers

The proportion of companies asked by customers to engage in environmental issues has edged up 2.1 points from the previous survey to 38.3% (Figure 5). On the other hand, the proportion who has never received such a request remained the same at 59.2%. Thus the tendency of customers to request that suppliers engage in environmental issues has not increased significantly.

By industrial sector, there is a large difference—over half of companies in process manufacturing (52.2%) have received requests, while only 29.5% of non-manufacturing companies have received requests. By company size, the proportion of companies who have received requests tends to increase with company size. By business conditions, companies enjoying good conditions tend to receive more requests. This suggests that supplying

eco-friendly products and components may help improve a company's position.

Figure 5 Request from Customers Regarding Environmental Measures

(%)

	Requested by customer		Not requested by customer	
	This survey	Last survey (Feb. 2001)	This survey	Last survey (Feb. 2001)
All industries	38.3	36.2	59.2	59.2
Sector				
Materials manufacturing	41.7	40.8	56.5	56.1
Process manufacturing	52.2	45.6	45.1	52.0
Non-manufacturing	29.5	29.1	68.0	64.5
Company size				
Large	43.4	42.1	52.6	53.3
2nd-tier	41.8	39.2	55.5	56.4
Small & medium	36.0	34.4	61.9	60.9
Business conditions				
Good, somewhat good	44.2	39.9	52.6	55.9
Normal	36.1	37.0	60.6	57.8
Bad, somewhat bad	37.2	33.4	61.1	62.3

Note: Numbers may not add up to 100 due to multiple responses.

7. Environmental Screening Increases

Asked whether screening of suppliers based on environmental factors will increase, the proportion of companies who strongly agree (16.5%) or tend to agree (40.6%) has grown by 7.2 points from the previous survey (12.7% and 37.2% respectively; Figure 6). This indicates that the environment is becoming increasingly critical in management strategy.

By sector, the process manufacturing sector, who is most active on environmental issues, is strongly focused on environmental screening, with 22.5% who strongly agree, and 45.3% who tend to agree. By company size, the proportion of companies who believe that screening will increase increases with company size. Moreover, among companies that have not received a request from customers to address environmental problems, only 8.2% strongly agree and 33.6% tend to agree that screening will grow. By comparison, among companies that have received a request to address environmental problems, 29.9% strongly agree and 52.4% tend to agree. Thus receiving a request appears to greatly affect a company's awareness of the future importance of screening.

Figure 6 Will Environmental Screening Increase?

(%)

	This survey					Last survey (February 2001)				
	Agree	Tend to agree	Can't say	Tend to disagree	Disagree	Agree	Agree generally	Can't say	Tend to disagree	Disagree
All industries	16.5	40.6	27.8	7.4	5.9	12.7	37.2	33.2	12.1	1.0
Sector										
Materials manufacturing	14.3	44.0	29.6	6.5	4.5	14.3	43.2	29.1	10.2	0.7
Process manufacturing	22.5	45.3	23.1	4.5	2.7	16.5	42.7	30.2	8.6	0.3
Non-manufacturing	13.1	37.6	29.8	9.3	8.3	9.7	32.0	36.1	15.1	1.5
Company size										
Large	18.9	44.7	22.8	5.3	6.6	15.3	36.0	34.9	9.6	1.5
2nd-tier	17.9	42.6	26.7	6.5	4.7	13.4	40.3	32.4	9.3	0.8
Small & medium	15.5	39.1	29.0	8.2	6.3	12.1	36.1	33.4	13.5	1.0
Requested by customer										
Yes	29.9	52.4	14.4	1.8	1.4	23.2	50.2	21.4	4.8	0.1
No	8.2	33.6	37.5	11.4	9.0	7.0	31.3	42.1	17.2	1.5

Note: Numbers may not add up to 100 due to multiple responses.

8. Environmental Evaluation is Important for 75% of Companies

For as many as three-quarters of companies, evaluation of environmental policies using environmental ratings will become important (19.5%) or somewhat important (55.6%) as a management objective (Figure 7).

By sector, evaluation is considered most important by process manufacturing (25.2%), a result that adds credibility to the sector's proactive stance on the environment. By company size, the importance of evaluation tends to increase with company size. Moreover, among companies who predict that environmental screening will increase, an overwhelming proportion also predicts that environmental evaluation will grow in importance (important 29.7%, somewhat important 63.0%). Thus companies who find environmental screening to be important also tend to emphasize environmental evaluation.

Figure 7 Will Environmental Evaluation Become a Key Management Objective?

(%)

	Will be critical	Will be somewhat important	Won't be critical	Don't know
All industries	19.5	55.6	8.7	14.3
Sector				
Materials manufacturing	19.1	60.8	6.8	12.3
Process manufacturing	25.2	57.4	6.0	9.6
Non-manufacturing	16.4	53.1	10.6	17.5
Company size				
Large	26.3	58.3	5.7	7.5
2nd-tier	19.7	58.5	7.7	12.3
Small & medium	18.5	53.9	9.5	16.1
Screening by customer				
Will advance	29.7	63.0	3.0	4.0
Can't say	7.3	57.6	8.4	26.2
Will not advance	3.7	25.9	35.1	35.1

Note: Numbers may not add up to 100 due to multiple responses.

Nissay Business Conditions Survey

Survey date: February 2003

Sample size and composition: 2,608 companies, as shown below

① By company size

	No. of companies	Composition (%)
Large	228	8.7
2nd-tier	737	28.3
Small & medium	1,636	62.7
No response, other	7	0.3
Total	2,608	100.0

Note: Large companies have over 1,000 employees; 2nd-tier companies have 301- 1,000; small & medium companies have up to 300.

② By region

	No. of companies	Composition (%)
Hokkaido	105	4.0
Tohoku	179	6.9
Kanto	634	24.3
Koshinetsu, Hokuriku	169	6.5
Tokai	313	12.0
Kinki	601	23.0
Chugoku	296	11.3
Shikoku	87	3.3
Kyushu	137	5.3
No response, other	87	3.3
Total	2,608	100.0