

# Improvement Proposal for Environmental Management System and Environmental Branding

Solution Guide for Department of Environmental Affairs,  
Company X

By

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\* The company I worked with for this thesis asked me to use the name "Company X" because they do not want me to make their corporate name public.

## **Abstract**

This solution guide presents proposals for the Department of Environmental Affairs (DEA) of Company X to improve environmental practices at the company, by involving the departments at the head office in the Environmental Management System (EMS) and by marketing its environmental considerations to consumers to protect its brand image.

Compared to its competitors, Company X, the leading soft drink company in Japan, is suffering from a lower valuation of its environmental practices by consumers. This is because Company X does not involve the whole supply-chain in its practices and does not market the achievements of its practices to consumers. Brand image for consumers is very critical for success for businesses like Company X in the soft drink industry, as there is little flexibility for differentiation in terms of technology, cost, and quality. In Company X, an EMS was only applied to the company's production site. The DEA of Company X attempted to improve this situation by introducing an EMS to the head office departments responsible for product development, marketing, and sales planning. The hope was that application of the EMS would drive those departments to support environmental branding by turning their operations into more environmentally friendly ones. However, the DEA failed in this attempt, due to the opposition of those departments, especially the marketing and sales departments.

This failure forced the DEA to seek solutions to persuade the opposing departments to engage in an EMS and environmental branding. The project team, consisting of three DEA staff and myself, recommended that the DEA create a new environmental educational program and a performance evaluation scheme for applying the EMS to the departments at the head office. Through these, the Company could introduce a new EMS that would cover the whole supply-chain and a cross-functional team (CFT) that would facilitate environmental branding through collaboration by the marketing and public relations departments with the bottlers, who have direct access to consumers. The solutions the team recommends are based on analyses of the EMS, consumers, competitors, and the company. These solutions provide the DEA with feasible measures and guidance to resolve current issues, involving environmental practices at Company X and to move to protect and improve its brand image.

As a complementary guide to explain the present issues and future challenges facing Company X in more detail, Chapter 8 has been added at the end of this document. This will help the reader to understand the content, as this document is written based on the facts available in 2004.

# **Executive Summary**

## **Project Overview**

This document explains the recommendations made to the Department of Environmental Affairs (DEA) of Company X for improvement of its environmental practices within the company. It was suggested that Company X focus on expanding the participating organizations in the Environmental Management System (EMS) at the head office and on advertising its environmental consideration to consumers to protect its brand image. Environmental brand image for consumers is becoming more and more critical for success in the soft drink industry, due to the growing environmental concerns among consumers. However, Company X is not rated highly as an environmentally responsible company by consumers compared to its competitors. This is largely due to its failure to involve the whole supply-chain in EMS and to engage in environmental branding. The project team, organized by three DEA staff and myself, analyzes the past failures of the company and generates workable solutions that allow the whole supply-chain to engage in environmental management and branding. The project team confirms that our solutions are still effective under the current situation of Company X, although the recommendations were created based on the facts available in 2004.

## **Analysis of EMS**

The DEA believes that simply applying an EMS can lead whole departments at the head office of Company X to turn their attention to environmental branding in the end, because they feel the need to advertise their achievements under the EMS for brand improvement and make them appealing. In fact, there are some business cases that show the EMS at functional departments such as product development, marketing, and sales turns their operations into more environmentally responsible ones and advertises their achievements under the EMS to consumers. However, it depends on the organization to judge what operational activities it should change and how much under an EMS. Presently, the departments in Company X are highly likely to avoid turning their core operations into green ones even if they accept an EMS. The DEA should design the system by itself or apply some other measures to lead those departments to engage in environmental branding.

## **Analysis of Consumers**

Major soft drink consumers in Japan range in age from 20s to 50s, about 70 million people (54 percent of whole population of Japan) in 2004. Environmental awareness among these consumers has risen steadily since 1995 through growing media attention on environmental issues and has begun to influence their purchasing behaviors, which has generated successful business cases of environmentally responsible products or services in recent years. The start of corporate eco-brand ranking by major business papers and magazines, which is the result of increasing consumer environmental concern, revealed that delays in implementing an EMS and no effort at environmental branding have been impairing Company X's brand image. However, Company X's ranking transition also indicated a sufficient possibility of improving its brand image because consumers' valuation dramatically improved in the year that the company applied the original EMS to production sites and released the news to the mass media.

## **Analysis of Competitors**

There are two major competitors of Company X not only in business but also in the field of environmental consideration. These two competitors are more advanced in using EMS than Company X and successfully improved their brand image through their environmental branding campaigns. Analysis of their successes justifies the idea of involving product development and functional departments in an EMS as a precondition for environmental branding. However, it simultaneously indicates the necessity of other measures for overcoming or reducing possible opposition within the company to environmental branding, and of setting a coordinating organization and agent that controls the EMS to promote environmental branding, both of which Company X currently does not possess.

## **Analysis of Company X**

Company X group, a leading soft drink producer in Japan since the 1960s, is operated under a unique business model called “the bottler system” under which Company X takes charge of product development, marketing, and sales planning, and its bottling partners take charge of production and sales. Due to a successful history in marketing campaigns, Company X has a corporate culture of respecting “marketing” or “brand management” under which employees evaluate any corporate action from the viewpoint of marketing, in other words, contribution to brand improvement. Literature reviews and interviews with employees conducted by the project team confirmed that these two characteristics of Company X have become the factors that prevent departments at the head office from engaging in an EMS and environmental branding. The bottler system keeps the departments at the head office from direct contact with consumers who have growing environmental concerns and feel the need for an EMS and environmental branding. This separation also becomes an obstacle for collaboration between the departments in the head office and the bottlers to share their information, experiences, and expertise for environmental branding. Detachment from consumers due to the bottler system misleads employees in Company X into believing that environmental activities do not improve brand image, which reinforces their indifference to an EMS and environmental branding under the corporate culture of respecting the contribution to brand improvement. The questionnaire survey sent to all employees in Company X implemented by the project team revealed that the influence of this belief is strongly observed in employees in the marketing department and in manager positions, who are seen as opinion leaders at the head office. In terms of real operation, this belief results in the absence of a corporate goal and performance evaluation scheme for environmental practices, which also discourages the departments at the head office from accepting an EMS and environmental branding.

## **Solutions**

At first, the project team sorted out the factors we found in our research to affirm the scope of the issues to be solved in our solutions. As a result, the team recognized there are two types of issues: the issues that presently happen in Company X and the possible issues that could happen when an EMS or environmental branding starts in the company.

## ***Scope of Issues to be Solved***

### **(Overall Issue)**

Lower valuation by consumers of environmental practices at Company X than those at its competitors because of missing “supply-chain” involvement and environmental branding

### **(Issues in Protecting Company X’s Brand Image)**

1. No participation by the departments at the head office in an EMS

\*Possible issues at the time of EMS application to the departments at the head office

- Possibility of avoiding environmental branding by the departments at the head office
- Absence of a coordinating organization and agent to facilitate environmental branding

2. No advertising to consumers about company’s environmental considerations

\*Possible issues at the time of beginning environmental branding

- Difficulty of collaboration between the departments at the head office and the bottlers to promote environmental branding due to the bottler system

### **(Issues Involving the Departments at the Head Office with an EMS and Environmental Branding)**

1. No measures for the departments at the head office to know consumers’ environmental concerns due to the bottler system

2. Lack of understanding among employees at the head office about the positive effects of environmental activities on brand image

- Strong opposition to EMS among employees in the marketing department and manager positions
- No strategic goals and evaluation system for environmental activities

Based on the scope of issues to be solved, the team listed the solutions by matching the issues to be solved. These solutions are composed of two parts, those that protect Company X’s brand image and those that involve the departments at the head office in an EMS. In the solutions that protect Company X’s brand image, the project team focused only on those that prevent possible issues because implementing solutions 1 and 2 themselves are not big issues.

## ***Solutions for the Issues***

### **(Main Purpose)**

Improving Company X's valuation by consumers of its environmental practices through involving its "supply-chain" in the EMS and starting environmental branding

### **(Solutions That Protect Company X's Brand Image)**

1. Involve the departments at the head office in the EMS

#### Solutions to prevent possible issues

- Establish a coordinating organization and agent that decides the overall activities under the EMS

2. Begin environmental branding

#### Solutions to prevent possible issues

- Apply a cross-functional team (CFT) scheme for collaboration between the departments at the head office and the bottlers

### **(Solutions That Involve the Departments at the Head Office in the EMS)**

1. Offer educational programs for employees at the head office to learn about consumers' environmental concerns and the positive effects of environmental activities on business to assist the next action assignment

- Focus on those in the marketing department and manager positions

2. Create a performance evaluation for environmental activities that explains to employees about the contribution of those activities to brand improvement

The solutions that involve the departments at the head office in the EMS should be implemented first because those that protect Company X's brand image are premised on the condition the former ones provide.

### ***Solutions That Involve the Departments at the Head Office in the EMS***

Educational programs focus on providing practical information for business and real experiences to contact with consumers aiming to change the strong belief among employees at the head office that environmental practices are not related to brand improvement. These programs contain some learning programs that especially focus on employees in the marketing department and manager positions who are recognized as problem groups. The new performance evaluation scheme not only incorporates an evaluation of environmental

activities under the EMS but also allocates enough evaluation score to motivate the departments in Company X to engage in those activities voluntarily. The evaluation applies a tool called a strategy map of the Balanced Scorecard, a visual map for facilitating understanding about the relationship between corporate strategy and actions at the department and employee levels, to explain to employees at the head office the positive link between brand improvement and environmental activities.

### ***Solutions That Protect Company X's Brand Image – solutions to prevent possible issues***

Similar to those at competitors, a coordinating committee and agent are established and authorized to control the action plan of the overall EMS practically and to drive the departments at the head office, especially the marketing and public relations departments, to contribute to environmental branding. To make the situation above happen easily, the project team suggested creating a completely new EMS to cover both departments at the head office and the bottlers by discarding the current EMS at the bottlers. In this case, a cross-divisional coordinating body and assisting agent is more likely to be established and empowered by top management to control overall processes about the EMS because applying the EMS becomes a group-wide theme, compared with the case that each department establishes its own EMS separately.

A cross-functional team, a temporary group of people with different functional expertise working for a certain project, can provide a scheme for collaboration between the departments at the head office and the bottlers without making any change in the bottler system, which the DEA wants to avoid. Moreover, a CFT can be managed without being influenced by the departments at the head office that are not so positive about environmental branding because only top management, who now support environmental consideration, can manage the team dealing with “corporate-wide” themes.

### **Conclusion**

The issues obstructing the departments at the head office from engaging in the EMS and environmental branding are very institutional and psychological. Thus, successful solutions for resolving the issues should be the ones that cope with both aspects. In this sense, the DEA's initial idea, applying the EMS to the head office of Company X, is not sufficient because such a solution considers only a part of the institutional issues.

The solutions the project team suggested, especially those that involve the departments at the head office in the EMS, successfully take these two aspects into account. The DEA can reduce the opposition to accepting the EMS and environmental branding by providing education programs containing practical information for real operation and direct contact with consumers. The DEA can use the new performance evaluation scheme not only to correct misunderstandings among employees at the head office that environmental practices are not related to brand improvement but also to persuade them to engage in the EMS and environmental branding voluntarily.

Moving forward, the project team also suggested solutions to remove possible issues at the timing of beginning the EMS and environmental branding. The DEA can prevent the departments at the head office from avoiding environmental branding about which they are not so positive through controlling the action plan of all participants under the EMS as the coordinator of the cross-divisional decision-making committee. The project team's idea of creating a completely new group-wide EMS enables the DEA to take a coordinating position as an inevitable consequence because it is the only organization able to do so. Finally, the DEA should use a CFT, enabling the departments at the head office and the bottlers of Company X to cooperate for environmental branding without changing anything in the bottler system, a change that would create a difficult issue that even the top management of Company X cannot deal with.

Combining the effects of the two groups of solutions, the DEA has more chances to change the environmental awareness of employees at the head office, and to keep motivating them to engage in the EMS and environmental branding until Company X can establish a sound reputation with consumers in the field of environmental consideration.

Company X is now facing almost the same kind of internal and external issues, and there has been both improvement and degradation in its environmental management and branding since 2004, from which these solutions are generated. Thus, the project team needs to establish that these solutions are still effective to resolve the issues Company X now faces for improving its image with consumers as an environmentally responsible company.

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# **Chapter 1: Introduction**

## **I. Project Background**

### **I-i. Overview**

Apparent environmental degradation since the 1980s has resulted in an increase in environmental regulations all over the world, and also in a slow but certain increase in environmental awareness among consumers. Under this trend, corporate environmental management has been becoming more and more significant for business institutions not only to mitigate business risks but also to reinforce competitive advantages. In many cases, advanced companies in environmental management, which successfully integrate it into corporate strategies, such as those in sales and marketing, are able to create superior brand images over their competitors. The benefits for brand image derived from environmental management are very attractive for a matured, competitive industry because competitive advantages in such an industry heavily rely on brand image due to the smaller room for differentiation in terms of technology, cost, and quality.

The soft drink industry, one of the most matured industries in which brand image plays a very critical role, is currently feeling the demand of environmental management, especially in developed countries where the environmental awareness of governments and consumers has been growing steadily. Company X, which is a subsidiary of a U.S. beverage company and has been a leading Japanese soft drink company since the 1950s, is just facing the consumer trend of increasing environmental concerns and is struggling to adjust its branding strategies to fit with this trend.

### **I-ii. Summary of Company X's External Environment**

- **Consumers**

As seen in the US and Europe, consumer awareness of environmental issues in Japan has been rising gradually but steadily since the 1990s through frequent media coverage or educational opportunities about environmental problems. The results of recent consumer surveys prove this change in consumer awareness and pressure Company X to change its branding approach to such consumers. Moreover, the start of ranking companies'

environmental brand images reveals the weakness of Company X's brand recognition in this field.

- **Government**

Because of serious air and water pollution in 1970s, one of the world's toughest regulations for emissions into the air and water has already been imposed on Japanese industries. Nevertheless, such increasing environmental concern by the public has encouraged the Japanese government to expand environmental regulations to other fields since the 1990s (Table 1-1). Some of these regulations since the 1990s created huge cost factors for Company X to deal with and led the company to make efforts to reduce or remove the impact. However, unlike other companies, Company X is more afraid of a bad reputation stemming from non-compliance with such regulations or its higher environmental impact than competitors than of bearing more cost to comply with the regulations, because Company X's brand image among consumers is critical in its industry.

**Table 1-1: Japanese Environmental Regulations Since 1990 Imposed on Company X**

Year	Regulations Related to Company X
1995	<ul style="list-style-type: none"> <li>• Containers and Packaging Recycling Law</li> </ul>
1997	<ul style="list-style-type: none"> <li>• Amendment to Waste Disposal and Public Cleansing Law in 1997</li> </ul>
	<ul style="list-style-type: none"> <li>• Amendment to Law Regarding the Rationalization of Energy Use</li> </ul>
2000	<ul style="list-style-type: none"> <li>• Home Appliance Recycling Law</li> <li>• Construction Waste Recycling Law</li> </ul>
2001	<ul style="list-style-type: none"> <li>• Amendment to Waste Disposal and Public Cleansing Law in 2001</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Food Waste Recycling Law</li> <li>• Fluorocarbons (CFC, alternative CFC) Recovery and Destruction Law</li> <li>• Soil Contamination Countermeasures Law</li> </ul>

(Source: Department of Environmental Affairs, Company X)

- **Competitors and the Global Group of Company X**

Different from Company X, its competitors, especially its two biggest rivals, Suntory and Kirin Beverage, took more positive steps toward this trend. They applied an environmental management system (EMS) a few years ahead of Company X and achieved a reduction in environmental impact on themselves and their supply chains. Then, the companies began advertising their environmental considerations to customers with increasing environmental awareness. Around that time, Company X was far behind those competitors in environmental management and branding because of its delay in starting an EMS and lack of advertising to

consumers of the company's environmental considerations. To make matters worse, recent environmental and ethical problems caused by subsidiaries in India and Colombia worked negatively against the corporate image of Company X and its U.S. parent company in the environmental, or CSR, area.

### **I-iii. Company X's Strategic Position and Problems**

- **Longstanding Strategic Position and Business Model**

Superior brand image over its competitors has been the most critical factor for Company X since its start because of the small room for differentiation in the beverage industry. Over its history, Company X has invested a huge amount of advertising money to keep refreshing its brand image among consumers, and has responded quickly when the company finds risk factors that might damage its brand, just as its U.S. parent company and other subsidiaries do in their global operations. Company X's original business model also increases its importance of a superior brand image. Under this business model, Company X takes responsibility only for product development and marketing, and outsources production and sales to its business partners, called "bottlers." This strategy has allowed Company X to concentrate its management resources on marketing and to enjoy its competitive advantage in brand image over its competitors.

- **Original EMS and Its Success at Production Sites**

To overtake competitors' environmental management, the Department of Environmental Affairs (DEA) of Company X and its U.S. parent company created an original environmental management system (EMS) in 2002, which customized an ISO 14001-based EMS for the soft drink industry. They started to apply this original EMS to three production sites of Company X's bottlers in 2002, and achieved great success by the next year, not only by reducing their environmental impact very much but also by gaining positive feedback about the EMS from many employees at the bottlers who are concerned about the company's contribution to environmental issues and local communities.

- **Opposition to EMS and Environmental Branding**

After being encouraged by the initial success of the original EMS in production sites, the DEA planned to introduce the EMS to Company X itself, the Japanese head office that controls

product development, marketing, and sales management. At that moment, Company X suffered from a lower reputation with consumers in environmental consideration than its competitors partly because Company X has no supply-chain efforts to reduce its environmental impact and partly because it has made no effort to advertise its environmental considerations to consumers. The DEA assumed that applying the EMS to Company X would be the best way to remove the causes of the damage to its corporate image. It not only involves all players consisting of its supply chain (from product development to sales) in the EMS but also facilitates environmental branding through collaboration of the marketing department with the bottlers, which have direct access to consumers. Because the EMS requires continuous improvement of its environmental aspects, the participating organization should discover new activities to increase positive effects on the environment if the organization soon achieves minimization of its environmental impact. The DEA assumed that it could lead the marketing or public relations departments to cooperate with the bottlers that have access to consumers and to start environmental branding of Company X for filling out their EMS action lists considering their small environmental impact. However, the DEA's plan to apply the EMS to the head office faced resistance from almost all departments at the head office, especially the marketing and sales management departments. At first, those departments questioned the necessity of an EMS and advertising environmental considerations to consumers. Although the departments knew that environmental problems had been paid more attention by the general public, the departments insisted that such awareness would not influence the purchasing behavior of consumers, especially that of soft drinks, and the brand image of the company. Secondly, the departments complained about how they could justify the additional burden of the EMS, in other words, time and cost spent on the EMS in addition to those for regular operation. Many employees at the head office strongly believe that environmental activities just add extra work to their daily operations that does not contribute to brand improvement, which is highly valued at Company X. The fact that there is no strategic goal and evaluation system of the EMS in the company also led the departments at the head office to question the meaning of their participation in the EMS.

### **III. Project Purpose and Goals**

- **The DEA's Search for Better Solutions**

Opposition from these two departments forced the DEA to temporarily suspend the plan to introduce an EMS at Company X. Although the DEA continued trying to raise the environmental awareness of members at the head office by issuing corporate environmental

reports and intra-office newsletters, the DEA could not find an idea to overcome internal resistance after its initial failure at applying an EMS. To resolve the deadlocked situation, the DEA contacted external institutions to find better solutions.

- **First Contact**

In the summer of 2003, the DEA of Company X consulted with the environmental management department of Asahi KPMG (current Azusa KPMG Sustainability Consulting Co., Ltd.), a Japanese subsidiary of KPMG, a global accounting firm. Asahi KPMG had experience in helping the DEA create and establish the original EMS in 2002. However, soon after the initial information exchange ended, the DEA wanted to terminate consulting by Asahi KPMG due to budget restrictions. With permission from Asahi KPMG, I suggested conducting this theme as a research project on a voluntary basis and reached an agreement with the DEA. The DEA selected three members, Y.I. (Male, Environmental Affairs Manager), Y.S. (Female, Environmental Relations Manager), and K.O. (Male, Environmental Project Manager) to assist me as the team for this project.

- **Project Purpose**

The purpose of this project is to suggest solutions that enable the DEA to involve other departments at the company's head office, especially those in marketing and sales management, in the EMS. In addition, the DEA desires that the solutions also indicate the ways of driving whole departments in the group to smoothly focus on environmental branding after involving departments at the head office in the EMS.

- **Project Goal**

Although the DEA initially requested that I present a final written analysis in March 2003, they delayed the schedule due to their organizational restructuring and personnel changes begun in mid- 2003. During this delay, the priorities of the DEA shifted from introducing the EMS at the head office to reducing the cost of recycling containers mandated by new regulations. In 2006, the DEA focused on the EMS again and expanded the range of participating organizations in the EMS, and included some departments at Company X as a trial. However, the DEA thinks that it is not enough to maintain its brand advantage over competitors, considering the continuous growth of consumers' environmental concerns in Japan, and still expects the team members in the DEA and me to show the project output.

## IV. Methodology and Schedule

### • Methodology

In executing the project, the project team researched academic findings, conducted a literature review of public information, and studied company information to learn general information and business cases about the EMS, consumers, competitors, and Company X. The team also implemented a questionnaire survey and interviews with employees at Company X to clarify the causes of the initial failure of the application of the EMS to Company X and to get some clues for possible solutions. Interviews with 6 employees from various departments were conducted in September 2004. The interviews aimed to interpret why the current EMS was not accepted by many people at the head office and to find clues for possible solutions by asking the employees how to improve the situation. Based on the interview results, an online questionnaire survey was carried out to confirm whether the results were common to other employees at the head office or not, and to estimate the effect of the possible solutions derived from interviews.

### • Schedule and Schedule Delay

Due to the organizational transformation of Company X, the DEA and the project team had to terminate their work from the end of 2003 to mid-2004 due to organizational restructuring and related personnel changes at Company X. This delayed the scheduling of the questionnaire survey for almost a year and some other research on internal conditions of Company X. The work restarted after August 2004 when the series of changes in the organization and employee reallocation settled down. While the change in the senior manager of the DEA delayed my work during the rest of the year 2004, I was given permission to continue and received the results of the questionnaire survey in February 2005.

**Table 1-2: Project Timeline**

Month/Year	Schedule
Jun-03	• Agreed with Company X to help my thesis work
Oct-03	• Conducted interviews with Company X employees
End of 2003 – Mid-2004	• Organizational restructuring at Company X
Aug-04	• Restarted the work and conducted the questionnaire survey
Feb-05	• Received the results of questionnaire survey

#### **IV. Document Content**

The next three chapters, from chapters 2 to 4, are allocated to account for the EMS and external factors such as consumers and competitors in Japan. Chapter 2 refers to details of the EMS, including its background, content, and business cases using the EMS to assess its ability to achieve the goal the DEA wanted. Chapters 3 and 4 focus on competitors and consumers, not only to reveal how they are thinking or reacting to environmental affairs but also to discover useful information for our solutions. Two chapters, chapters 5 and 6, are assigned for internal analysis to support our solutions for the DEA. Chapter 5 gives details about Company X and its business partners in terms of its business model, corporate culture, and history of environmental management. Chapter 6 explains the purpose and results of interviews and questionnaire survey conducted at Company X to discover the causes of resistance against the EMS and environmental branding, and more clues for possible solutions. Finally, chapter 7 summarizes the key learnings from each chapter and then discusses the solutions based on those findings and additional research.

## **Chapter 2: Environmental Management System**

### **I. Background of the Environmental Management System (EMS- ISO 14001)**

- **EMS Development**

The idea of environmental management for business itself already existed in the 1970s when environmental regulations first appeared in developed countries to control industrial pollution at that time. Corporate environmental management around that time was more reactive and mainly designed to comply with imposed domestic laws to keep operating. However, in the late 1980s, the appearance of global-scale environmental problems and the increase in people's attention to those issues changed the background of corporate environmental management. Accompanying expansion overseas, business entities have been required to control environmental impact across countries, sometimes to do more than legally necessary, to avoid possible criticism of pollution or worsening resource scarcity, especially in developing countries. The importance of this voluntary and "more than compliance level" control is more emphasized in global business operations after tragic environmental accidents across borders caused by multinational corporations, such as the Bhopal (India) chemical plant explosion in India (1984; Dow Chemical subsidiary) and the Exxon *Valdez* oil spill in Alaska (1989). In 1991, the World Business Council for Sustainable Development (WBCSD), which was established under the appeal of United Nations to represent the opinions of international business entities at the Rio Earth Summit of 1992, formally requested that the International Organization for Standardization (ISO) develop an international standard for an environmental management system (EMS). In response to the WBCSD's request, the ISO set up a working group and started discussion to decide the details of the new standard. After 5 years of painstaking work, the ISO finally released the first version of the EMS standard, ISO 14001, in 1996.

### **II. ISO 14001 Content**

- **Purpose and System Framework**

ISO 14001 aims to minimize harmful effects on the environment caused by organizational activities and to achieve continual improvement of its environmental performance through the

adoption and implementation of an EMS. ISO 14001 is structured to be applied to any organization regardless of its size and sector, while it mainly targets business institutions. ISO 14001 defines an EMS as the organizational structure that manages its process and activities to meet environmental objectives such as complying with environmental regulations or reducing environmental impact at the target level. Operation of an EMS under ISO 14001 is composed of 2 components, setting environmental policy at the beginning and maintaining a management cycle, in other words, maintaining a PDCA (Plan-Do-Check-Act) cycle, which is repeated annually for continuous improvement. At the creation of environmental policy, top management has to commit to what the organization will achieve for the reduction of its environmental impact in the long term. After setting a policy, the organization identifies its own environmental impact through environmental assessment by either itself or a third party and then creates an annual plan that includes activities to reduce identified impacts and their target figures. The revised 2004 version of ISO 14001 also requires the organization to recognize its operational activities that have positive effects on the environment and to be involved in an annual plan in the event that the organization minimizes the impact quickly and needs more advanced actions. Those activities are implemented at operation sites under the administration of managers or teams who are assigned authority and the necessary resources. Simultaneously, training about the EMS and related subjects is provided to employees onsite to improve their understanding of activities under the EMS and to encourage their cooperation. When the operation year ends, the achievement through each activity is measured against the target decided in the annual plan. The validity of each process is also reviewed by the auditing team according to pre-documented procedures. Then, at the final stage, top management checks the results of the reviews and makes necessary changes in process, responsibility, or resource allocation for improvement in the next year.

**Table 2-1: Summary of Activities under ISO 14001**

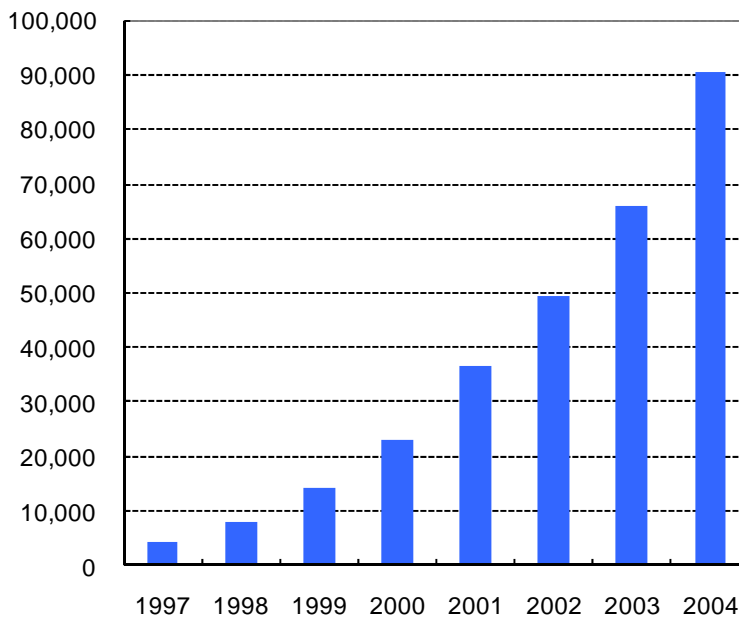
Operational activities	Contents
Setting environmental policy	Environmental policy is documented and communicated to employees and made available to the public. It must include a commitment to continual improvement and pollution prevention, regulatory compliance and a framework for setting objectives.
P (Plan; Planning Phase)	Environmental impacts of the organization's activities have to be identified at first. Then, environmental objectives being consistent with environmental policy, targets of reducing environmental impacts, and programs to achieve those targets are established and documented.
D (Do; Implementation & Operation of EMS)	Programs above are implemented based on management procedures that decide roles & responsibilities of engaging people and operational & communication process.
C (Check; Checking and corrective action procedures)	The performance of programs is monitored, measured, recorded and audited based on pre-documented procedures. Corrective action should be taken in case of non-conformity.
A (Act; Periodic management reviews of the overall EMS)	The organization's top address the possible need for changes to policy, objectives and other elements of EMS based on the results of audits, changing outside circumstances

### III. Current Situation of the EMS in Business Entities

- **Diffusion of the EMS**

The number of ISO 14001–certified sites has rapidly increased since its beginning. After starting with 4,433 certified sites in 55 countries in 1997, ISO 14001 has maintained a very upward trend and reached 90,569 sites in 127 countries by 2004 (Figure 2-1, Table 2-5). Through many examples, it is becoming apparent that an EMS based on ISO 14001 enables companies not only to reduce legal and reputation risks as a result of reducing environmental impact but also to reduce operational costs through waste reduction and efficient use of resources and energy. Although those business merits also contribute, the rapid increase in certification sites mainly came from the requirement of “continuous improvement,” which drove certified companies to upgrade their activities every 3 years of certification renewal. After the first or second renewal, many certified companies had run out of the room for improving current activities or finding new ones in their production sites. To keep satisfying the next certification requirement, most certified companies expanded their activities to other sites, such as suppliers, subsidiaries, and non-production sites, which ends up in a sharp increase in certification sites.

**Figure 2-1: Increase in ISO 14001-Certified Sites (Global)**



(Source: "2004 The ISO Survey of Certifications", "2002 The ISO Survey of ISO 9000 and ISO 14001 certificates"; International Organization for Standardization)

**Table 2-2: Table 2-2: ISO14001-Number of Certified Sites & Countries with Sites**

Year	1997	1998	1999	2000	2001	2002	2003	2004
World Total	4,433	7,887	14,106	22,897	36,765	49,449	66,070	90,569
Number of Countries	55	72	84	98	112	117	113	127

(Source: "2004 The ISO Survey of Certifications", "2002 The ISO Survey of ISO 9000 and ISO 14001 certificates"; International Organization for Standardization)

- **EMS in Suppliers and Non-production Sites**

The expansion of the EMS to suppliers, which has happened in many U.S. and European companies and some Japanese companies, focused on cost and environmental risk reduction in their supply chains. As seen in companies beginning to implement an EMS, those suppliers could reduce operational cost through waste reduction and increased efficiency of energy and raw material usage as a result of EMS activities. It also could help corporations, especially multinational ones, to reduce the time and cost of responding to legal risks. In a recent example, in response to ROHS and REACH, which are strict European regulations on hazardous chemical usage in products, companies and their supply chains with EMSs were able to consolidate the compliance system of these regulations in a very short time and at less cost because the companies had already figured out the usage of all such chemicals in their products and established a control scheme for them under their past

EMS activities. On the other hand, the expansion of EMSs to non-production sites, which often tend to involve functional departments, often got the product development, marketing, and sales departments involved in ISO activities as a consequence. Due to their lower environmental impact than production sites, these departments initiated their original activities, which are more suitable for their responsibilities, in addition to normal activities to reduce environmental impact such as waste or energy usage reduction. The popular examples of such original activities are when the product development department develops environmentally friendly products, the marketing department advertises the environmental considerations by the company or environmentally friendly products, and the sales department commits a certain amount to sales of environmentally friendly products. A series of these original activities in non-production sites facilitated some companies in sending out more environmentally benign products than their competitors and creating brand advantage over their competitors.

#### **IV. Possibility of the EMS in Changing Core Operations**

- **Conclusion and Reasons**

The examples of EMS expansion to non-production sites show the possibility that an EMS is able to integrate environmental consideration into the operation of the functional departments and to start new activities such as environmental branding. In fact, the DEA suggested the application of the EMS to the head office because of these cases.

However, the project team estimated that these cases do not guarantee that the same things will happen if an EMS is applied to Company X. The year 2004 version of ISO 14001 requires the organization to have a positive effect on the environment through its core operations under the EMS if its environmental impact is so small that it can be easily minimized. On the other hand, as seen in the content part of ISO 14001, it still allows the organization to decide what it selects as environmental activities (from core operations), and how much it does under the EMS. In the case of Company X, it is possible that each department at the head office is authorized to decide its own activities and their target at the point of making their own EMS considering the precedents in the bottlers. In this case, the marketing department would not come up with the idea to involve environmental branding as its actions under the EMS considering its current understanding of the EMS and external environment. Based on this analysis, all team members reached an agreement that the DEA should design an EMS by itself when it is applied to the head office or apply some other measure to force those

departments to engage in environmental branding.

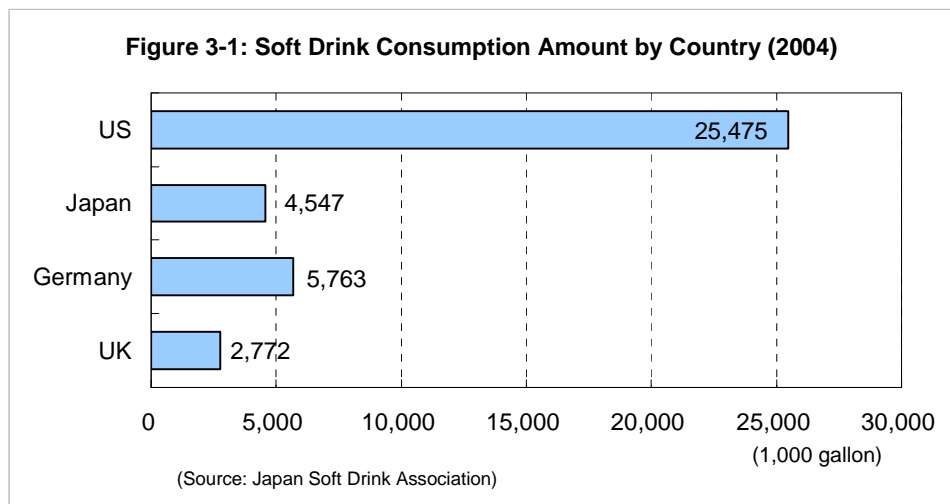
## Chapter 3: Consumers

### I. Overview of Japanese Consumers and Their Environmental Awareness

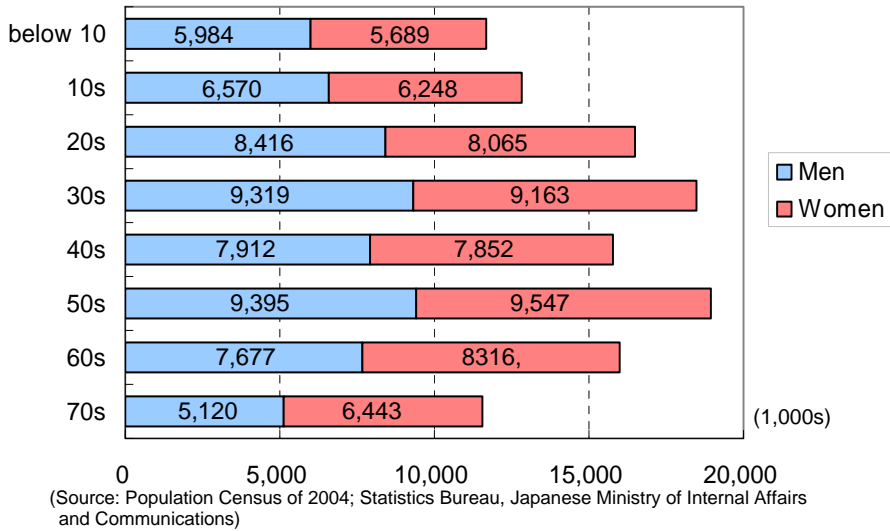
- **Consumption Amount and Trend**

According to the research conducted by the Japan Soft Drink Association (JSDA) in 2004, the overall consumption volume of soft drinks in Japan was about 4.5 million gallons in 2004, which is about 18 percent of that in the US (about 25.5 million gallons) in 2004 (Figure 3-1). Soft drink consumers were broadly distributed in age from people in their teens to 50s, about 82.5 million people (65 percent of the whole population in Japan) in 2004. Soft drink companies assume that the age groups from 20s to 50s, 70 million people, have more impact on consumption because of their larger number and consumption than other age groups. Indeed, the research conducted by the JSDA in 2004 revealed that these age groups consume more soft drinks than other groups; at least 60 percent of the people in those age groups consume more than 2 to 4 bottles (1 bottle = 0.5 liter = about 17.6 oz) per week (Figure 3-2 and 3-3).

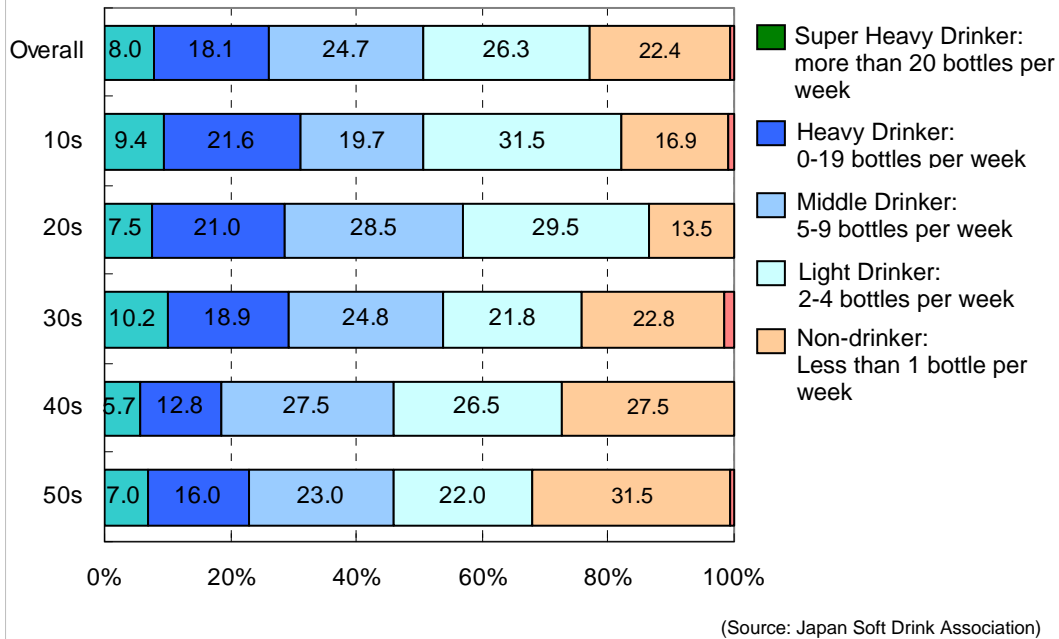
The consumption tendency of Japanese soft drink consumers is very unique, mainly coming from their preference for coffee and high interest in health issues. The same research conducted by the JSDA also revealed that there is no product category occupying more than a third of total market share, unlike carbonated drinks in the US and UK, and water in Germany (Figure 3-4). Although canned coffee, which is unique to the Japanese market, has maintained about a 30 percent share, growing new categories such as green tea and other drinks are enhancing more fragmentation in the market.



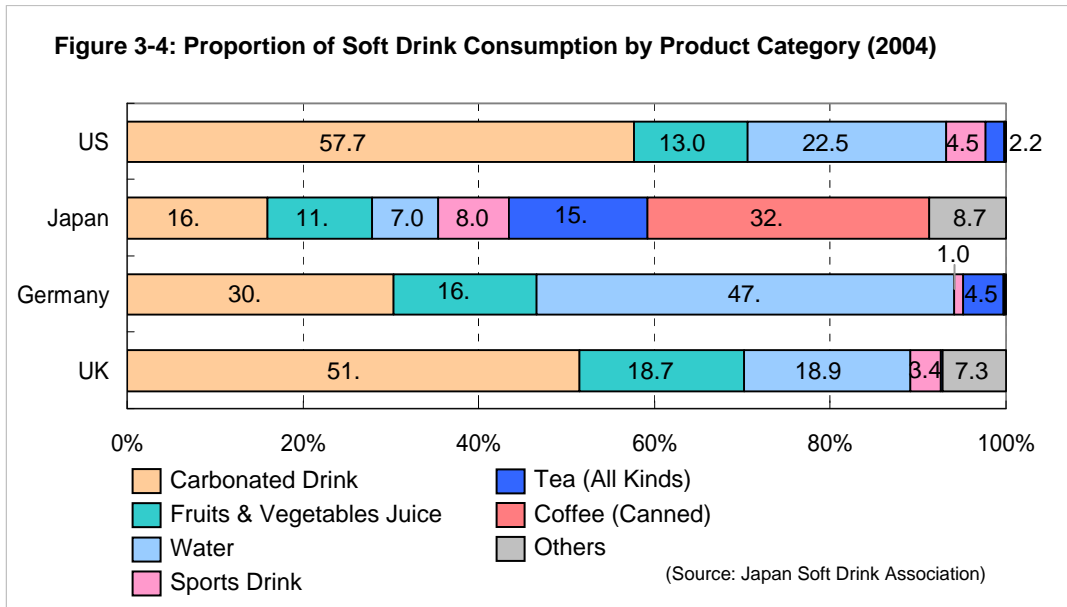
**Figure 3-2: Distribution of Japanese Population by Age (10s Each, 2004)**



**Figure 3-3: Soft Drink Consumption Level by Age Group (2004)**



(Continues on next page)



- **Environmental Awareness**

According to Japanese government research conducted in 1995 and 2001, environmental awareness among Japanese consumers has risen steadily since 1995 through growing media attention on environmental issues and related topics.

In the 1995 research, almost 60 percent of respondents answered that they “strongly refuse” or “refuse” to lower their living standard for environmental protection (Table 3-1). However, the same figures decreased to almost half, 27.1 percent, in the same research conducted in 2001. Furthermore, the percentage of people who “accept” or “positively accept” lowering their living standard increased by almost 20 percent in 2001 compared with the same figures in the 1995 research. The research speculated that the reasons for this awareness change resulted from increased opportunities for Japanese consumers to learn more about environmental problems because of hosting UNFCCC COP 3 for the Kyoto Protocol in 1997, frequent abnormal climate occurrences in the late 1990s, and the appearance of more practical environmentally friendly products such as hybrid electric vehicles in the late 1990s.

The same consumer survey also investigated Japanese people’s green purchasing behaviors. Overall, about 80 percent of respondents at least “sometimes” considered the environmental aspect of their purchased products, and among them, 50 percent answered

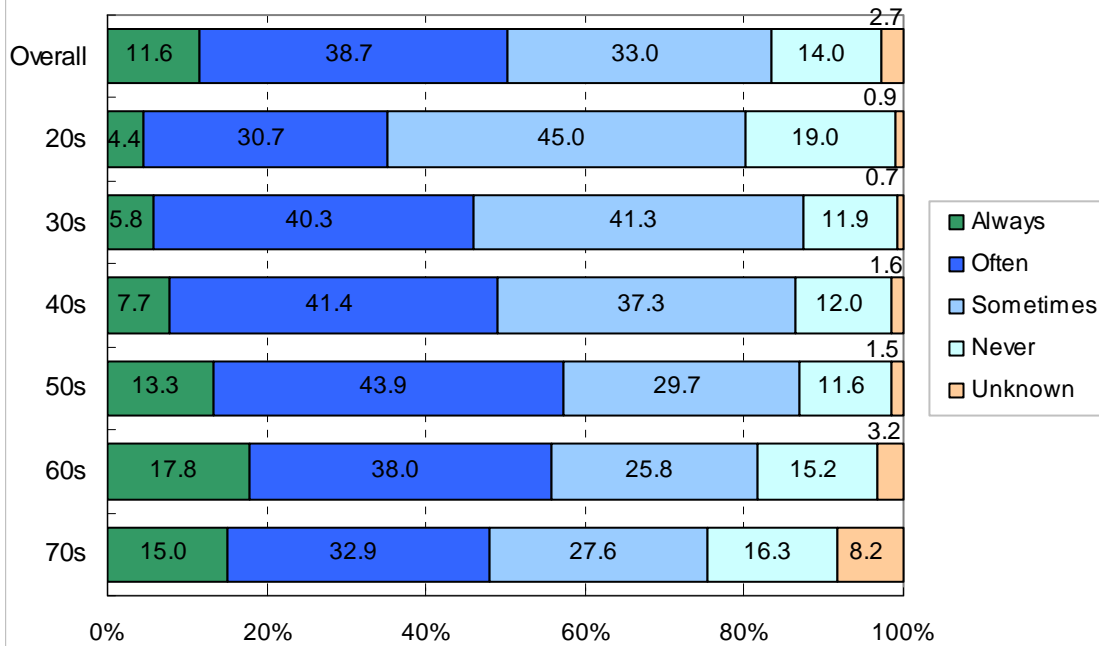
that they “always” or “often” considered it (Figure 3-5). From the viewpoint of soft drink consumers, the proportion of respondents from 30 to 50s, who are categorized as the main consumers, is higher than both the overall average and other age groups.

**Table 3-1: Percentage of Respondents Accepting Reduced Living Standard for Environmental Protection (Comparison Between 1995 and 2001)**

	Strongly Refuse	Refuse	Accept	Positively Accept	No Idea
Year 1995	9.5%	50.4%	23.7%	11.1%	5.3%
Year 2001	2.5%	24.6%	39.6%	13.3%	20%

(Source: “Public Opinion Survey on Environmental Issues” (2005), Cabinet Office, Government of Japan.)

**Figure 3-5: Percentage of Respondents about the Frequency of Considering the Environmental Aspect of Purchasing Products (2001)**



(Source: “Public Opinion Survey on Environmental Issues” (2005), Cabinet Office, Government of Japan.)

## II. Environmental Brand Recognition among Consumers

### • Start of Corporate Environmental Branding in Japan

In the early 1990s, it was believed that advertising corporate environmental consideration to consumers had a small impact on the overall corporate brand image. Most Japanese companies assumed that consumers’ environmental concerns did not link with actual purchasing behavior because consumers cared more about the price and quality of their

purchased products. However, a growing sense of environmental protection among Japanese consumers in the late 1990s began to create successful business cases of environmentally responsible products, which were seen in the boom of environmentally benign houses and hybrid electric cars. Such successful cases brought many companies' attention to environmental management and environmental branding, which are fundamental for creating such cases. The diffusion of ISO 14001 among Japanese companies also contributed to the increase in attention to environmental branding. Because ISO acquisition spread to supply chains of those companies due to the requirement of continuous improvement, they became able to provide less environmentally harmful products or services and to advertise them to consumers. Until 2000, more Japanese companies started environmental branding through advertising their environmental management or the environmental friendliness of their products and services on TV, websites, newspapers, and magazines. According to research by a major Japanese advertising agency, the advertising space in newspapers and magazines spent for corporate environmental advertising, which included only advertising about corporate environmental policy or messages (not including advertising for environmentally responsible products or services), passed 2 percent of the overall business advertising in those media in 2000. Because it has been common in corporate advertisements that the advertising space for advertising corporate policy or messages should be maintained at around 1 percent to prevent mitigation of the effect of product or service advertising, this figure surprised many Japanese advertising agencies.

- **Eco-brand Ranking for Japanese Companies**

In response to the popularity of corporate environmental advertising, some business newspapers and magazines began to evaluate corporate brand awareness by consumers regarding environmental consideration. The most influential is the "Corporate Environmental Brand Ranking" conducted by the Nikkei Business Newspaper, the most highly regarded Japanese business newspaper, started in 2000. Every year, the Nikkei collects the opinions of consumers in general and business people to determine entire and categorical rankings. In 6 years of ranking, companies in the automobile, consumer electronics, and chemical industries have been highly ranked the entire time. As for the ranking of corporations in the soft drink industry, Company X's biggest rival, Suntory, has maintained a higher rank than any other competitor for 6 years due to its early action in environmental management in the mid-1990s and a successful advertising campaign after 2003. Another rival of Company X, Kirin Beverage, has been ranked almost the same position except 2003 while it spent less advertising money than Suntory. It was seen that that the positive environmental image of its

parent company, Kirin Brewery, which first achieved “no waste to landfill” from production sites in Japan, positively influenced the ranking of Kirin Beverage. On the other hand, the ranking of Company X was quite low from 2000 to 2003. It did not show up the ranking list from 2000 to 2001 because there were almost no environmental activities by the company. It started to be ranked within the top 100 when some bottlers started to take ISO 14001 certification by themselves, and the other were in the trial stage of Company X’s original EMS. Company X’s ranking dramatically improved from 85 to 23 in accordance with the news release in early 2004 that one of their bottlers achieved a US\$1.2 million cost reduction through the original EMS and that Company X decided to expand the EMS to all other bottling partners. However, the company’s ranking went down again in 2004 because Company X could not advertise any achievement in environmental consideration in that year, mainly because of the failure of the ISO expansion to the head office as we are discussing now.

**Table 3-2: Nikkei Eco brand Ranking (Top 10 and Soft Drink Companies) from 2000 - 2005**

Year 2000			Year 2001			Year 2002		
Rank	Company Name	Sector	Rank	Company Name	Sector	Rank	Company Name	Sector
1	Toyota Motor	Automobile	1	Toyota Motor	Automobile	1	Toyota Motor	Automobile
2	Lion	Chemical	2	Honda Motor	Automobile	2	Kirin Brewery	Brewing
3	Nissan Motor	Automobile	3	Kirin Brewery	Brewing	3	Honda Motor	Automobile
4	Yamada Beekeeping	Agriculture	4	Asahi Brewery	Brewing	4	Asahi Brewery	Brewing
5	Sony	Consumer Electronics	5	IBM, Japan	Information	5	Eon	Retail
6	Tokyo Electric Power	Power	6	Sony	Consumer Electronics	6	Asahi Kasei	Chemical
7	Kao	Chemical	7	Fuji Film	Chemical	7	Sony	Consumer Electronics
8	Asahi Kasei	Chemical	8	Hitachi	Consumer Electronics	8	Canon	Consumer Electronics
9	Daiei	Retail	9	Mujirushi	Retail	9	Sapporo Brewery	Brewing
10	Toshiba	Consumer Electronics	10	Kokuyo	Stationary	9	Nissan Motor	Automobile
⋮			⋮			⋮		
23	Asahi Soft Drink	Soft Drink	11	Suntory	Soft Drink & Brewing	14	Suntory	Soft Drink & Brewing
32	Suntory	Soft Drink & Brewing	22	Kirin Beverage	Soft Drink	34	Kirin Beverage	Soft Drink
*Company X was not ranked within top 100.			*Company X was not ranked within top 100.			96	Company X	Soft Drink
Year 2003			Year 2004			Year 2005		
Rank	Company Name	Sector	Rank	Company Name	Sector	Rank	Company Name	Sector
1	Toyota Motor	Automobile	1	Toyota Motor	Automobile	1	Toyota Motor	Automobile
2	Honda Motor	Automobile	2	Kirin Brewery	Brewing	2	Nissan Motor	Automobile
3	Nissan Motor	Automobile	2	Matsushita Electronics	Consumer Electronics	2	Honda Motor	Automobile
4	Suntory	Soft Drink & Brewing	4	Nissan Motor	Automobile	4	Matsushita Electronics	Consumer Electronics
5	Sapporo Brewery	Brewing	5	Sharp	Consumer Electronics	5	Sharp	Consumer Electronics
6	Asahi Brewery	Brewing	6	Suntory	Soft Drink & Brewing	6	Kirin Brewery	Brewing
7	Epson	Consumer Electronics	7	Lion	Chemical	7	Asahi Brewery	Brewing
8	Kirin Brewery	Brewing	8	Honda Motor	Automobile	8	Eon	Retail
9	Matsushita Electronics	Consumer Electronics	9	Asahi Brewery	Brewing	8	Hitachi	Consumer Electronics
10	Kao	Chemical	10	Sapporo Brewery	Brewing	10	Matsushita Electric Work	Consumer Electronics
⋮			⋮			⋮		
51	Kirin Beverage	Soft Drink	23	Company X	(Soft Drink)	12	Suntory	(Soft Drink & Brewing)
85	Company X	Soft Drink	31	Kirin Beverage	(Soft Drink)	36	Kirin Beverage	(Soft Drink)
(Source: "Eco Brand Ranking 2000-2005", Nikkei Business Publications, Inc. )						41	Company X	(Soft Drink)

### III. Influence on Company X’s Brand Image

- Possible Damage and Directions to Prevent It

Based on the research on consumers and environmental branding, it becomes obvious that the delay in implementing the EMS and almost no environmental advertising have impaired Company X's brand image for at least recent 5 years. Although this fact has not clearly been linked with the beverage sales of Company X so far, it is getting more difficult to say that the future will be the same as long as environmental concern among Japanese consumers continues to grow. As a practical matter, some top management and DEA staff have been seriously afraid that the company's lower rank in environmental brand than rivals' influences negatively on consumers' image and sales in the long term. On the other hand, the research here also reveals that the impact of the environmental advertising by Company X seems to be very large considering its sudden ranking surge in 2004. This fact indicates that the media and consumers are still very sensitive to the movement of an industry leader, and that it is not too late to improve the position of Company X in the field of corporate environmental brands. These findings not only affirm the correctness of the DEA's problem recognition in starting this project but also the validity of our solutions to lead the company to engage in environmental branding.

## **Chapter 4: Competitors**

### **I. Business Overview of Competitors**

- **Introduction**

Company X has been a top soft drink manufacturer and occupied the largest market share since the company's founding. For the last 10 years, Company X has maintained around a 30 percent share of the Japanese soft drink market (Figure 4-1). The other 70 percent market share is divided by several companies. Among these companies, Suntory, the second biggest manufacturer with about a 17 percent market share, and Kirin Beverage, the third biggest manufacturer with around a 10 percent market share, have been Company X's longstanding rivals and often challenged Company X.

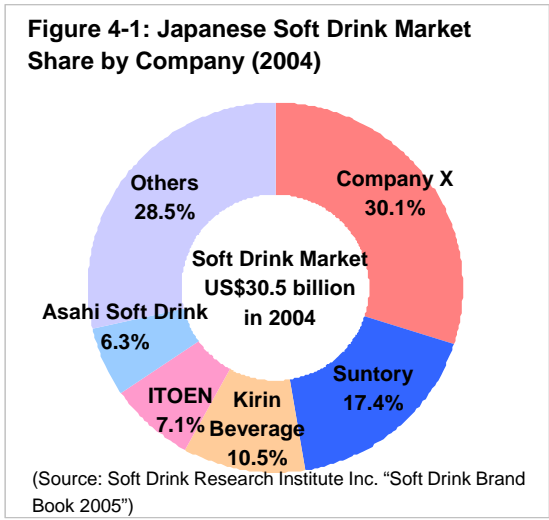
- **Suntory**

Suntory is the second largest soft drink and the third largest alcohol manufacturer in Japan. The company has around 18,000 employees, and 15 factories in Japan, 6 for soft drinks, 6 for alcohol, and 3 for other purposes (Table 4-1). While its market share was around 10 percent in the 1980s and ranked the company third in the market, Suntory has gradually increased its market share with sophisticated marketing strategies and has become Company X's biggest rival. Suntory has 44 brand products, including some from its business partner, PepsiCo in the U.S., around half of which are ranked within the top 5 in all segments of the soft drink market. Although Suntory is also involved in foods, restaurants (including Subway Sandwich in Japan), and the pharmaceutical industry, 90 percent of the company's sales comes from soft drinks and alcohol.

- **Kirin Beverage**

Kirin Beverage is the third biggest soft drink manufacturer and a subsidiary of the biggest Japanese alcohol producer, Kirin Brewery. The company has focused well and promoted brand products, all of those ranked within the top 5 in all 7 segments of the soft drink market, even though it has only 15 brand products (Table 4-1). Kirin Beverage has maintained a stable market share in all 7 segments and has held the largest share in the red tea segment since the late 1980s. Kirin has nearly 3,700 employees, and has 2 large and 13 small and

medium outsourcing production sites, which allow the company to switch products depending on market demand very efficiently.



**Table 4-1: Comparison of 3 Companies (2004)** (Source: Corporate profile of each company)

Indicators	Company X	Suntory	Kirin Beverage
Share	30.1%	17.4%	10.5%
Employees (approximately)	23,000	18,000*	37,000
Brand Products	35	44	15
Factories	34	15	2*

\*The number of Suntory's employees includes those who engaged in alcohol production  
 \*Kirin Beverage uses 12 small or medium sized, outsourcing factories depending on the demand

## II. Competitors' Environmental Management and Branding Strategies

- Introduction**

In the field of environmental consideration, these two companies made an effort to surpass Company X, aiming to gain brand superiority. Both started EMSs earlier than Company X and have continued to produce certain results that benefit their waste reduction or effective use of energy and resources. They also positively advertised their stance to consumers and have been often ranked higher than Company X in the Nikkei corporate environmental brand ranking.

- **Suntory**

### ***Environmental Management***

Suntory is one of the Japanese companies that have the longest history of environmental management. The company established an environmental management department in 1991 to respond to the recycling issue of one-way containers in the late 1980s. In 1997, COP 3 of UNFCCC (3<sup>rd</sup> Conference of the Parties by United Nations Framework Convention on Climate Change) was held in Kyoto, which is where Suntory's head office is located. The conference itself and its result, the Kyoto Protocol, increased the company's employees' environmental awareness and enabled Suntory to accelerate its environmental management activities. In 1998, Suntory became the first Japanese soft drink company to issue an environmental report. Suntory also proactively engaged in ISO 14001 and completed ISO 14001 certifications in all its production sites until 2001. It also applied an original abridged edition of ISO 14001 to all non-production sites, including its head office (administrative departments such as marketing) and branches since 2001. Since implementing an EMS, Suntory has focused on four areas, water resource protection, drink container recycling, waste reduction and recycling, and employees' environmental education. Initially, Suntory concentrated on waste reduction and recycle at the production sites. Due to successful networking with recycling partners, all Suntory alcohol factories achieved "zero waste to landfill" from production facilities in 1999, and then all soft drink factories did in 2004. Thanks to these achievements and the resulting reputation as an environmentally responsible company, Suntory's first female managing director of the board was chosen as the first female secretary of the Japanese EPA (Environmental Protection Agency) in 2000.

### ***Organizational Structure for Promotion of Environmental Activities***

Suntory has a cross-divisional organization called the "Committee on Environmental Affairs" to plan and promote group-wide environmental actions under its EMS. This organization, which is headed by the vice president of Suntory, involves all directors who are responsible for important operations within the company as its members. The committee has five subunits concentrating on product development, production, logistics, office work, and environmental communication. The three plan detailed actions to reduce the environmental impact of related fields, and the last one, the subunit of environmental communication, work to improve environmental awareness of employees and the company's brand image among consumers. Suntory has a division dealing with environmental affairs within the company. It not only deals

with all administrative work for the Committee on Environmental Affairs and its subunits but also supports both the committee and subunits through setting an agenda and providing necessary information.

### ***Environmental Branding Strategies***

Suntory started environmental branding in 2003 as one of the environmental activities of the marketing department under the EMS because the environment division and marketing department agreed to do so at the subunit of environmental communication. Among four main areas of its environmental management activities, Suntory picked up water resource protection as an appealing point of its environmental advertising, because advertising this point not only explains the company's environmental consideration but also indicates the better taste of its products is due to high-quality water. In fact, the nature-abundant location of its production sites and its efforts for water resource protection allow Suntory to be the sole soft drink producer in Japan to use only natural mineral water for all its products, while others use distilled tap water for most of their products. In 2004, Suntory chose a corporate branding message "Water for Life, Suntory," which has been used to advertise its water resource protection in the advertising promotion of mineral water products since 2003. Then, Suntory's top management and its environment division decided to insert this message in all TV commercials and advertisements in printed media. While the marketing department, which insisted that such environmental advertising wasted precious seconds of TV commercial or advertising space, strongly opposed this idea, top management and the environment division suppressed such opposition and defined the advertising as an environmental action of the marketing department under the EMS. This new corporate branding message successfully imprinted Suntory's environmental consideration to many Japanese consumers and improved its corporate image in most brand surveys conducted later. Although the influence on soft drink sales is not clear, Suntory's own consumer survey reveals that this branding campaign has positively influenced the sales of its alcoholic drinks since then, the taste of which is more influenced by water quality.

- **Kirin Beverage**

### ***Environmental Management***

Kirin Beverage started environmental management activities because its parent company, Kirin Brewery, one of the most advanced Japanese companies in environmental

management, made the company to do so under the expansion of ISO 14001 activities to the whole corporate group. Thanks to the knowledge and experiences of the parent company with the EMS, Kirin Beverage was able to achieve its initial EMS targets of energy efficiency and waste reduction in a very short time. In 1998, six years earlier than Suntory, Kirin Beverage's two main production facilities achieved "zero waste to landfill" and became the first soft drink factories to do it. The company also succeeded in transferring EMS activities to non-production sites, where product design and development, marketing, sales, and public relations departments operated. In 2003, Kirin Beverage developed the lightest PET (polyethylene terephthalate) bottle together with Danone, a French food company, which is 30 percent lighter than the original bottle, but has the same structural strength and is easy to recycle. The company applied this new PET bottle to most of its drink products and reduced the input of 34 million tons of PET raw material, which enabled the company to save US\$ 26 million during 2003.

### ***Organizational Structure for Promotion of Environmental Activities***

Similar to Suntory, Kirin Beverage has a cross-divisional organization called the "Committee on Environmental Affairs" to plan and promote group-wide environmental actions under its EMS. The committee, which is headed by the president of Kirin Beverage, includes all executives who are responsible for important operations within the company as its members. It also includes directors of public relations and marketing as special members because the company put importance on internal and external environmental communication to improve its brand image. It has a liaison council as a subunit that plans detailed actions for all departments involved in the EMS and monitors the progress of those actions toward their targets. Kirin Beverage has a division that is responsible for social and environmental affairs. It mainly assists the management of the committee and liaison council by coordinating their agendas with participants and collecting necessary information.

### ***Environmental Branding Strategies***

Kirin Beverage's Committee on Environmental Affairs decided to begin environmental branding in 2004 as an environmental action of the public relations division under the EMS since its parent company Kirin Brewery directed the company to do so to improve its group-wide brand image. Kirin Beverage selected the lightest PET bottle as an appealing point of its environmental consideration because the PET bottle is very close to consumers. The company advertised this new bottle to consumers with a message explaining its low

environmental impact, easy recycling (because of its bottle design), and requesting the cooperation of further recycling of PET bottles. Because many consumers cared that PET bottles increased plastic usage and had more difficulties in recycling, this advertisement caught consumers' attention successfully. Kirin Beverage continued this campaign until the next year and improved its environmental image among consumers, as seen in its ranking rise in the Nikkei Eco-Brand Ranking in 2004 and 2005.

### **III. Key Learnings from Competitors' Cases**

- **Important Findings for Company X**

As pointed out in chapter 1, the research in this chapter proved that the two biggest competitors of Company X advanced in EMSs and environmental branding and successfully improved their brand images in environmental consideration. On the other hand, the research also brings in useful information to solutions for the DEA. Both companies show the same pattern: they first applied the EMS to non-production sites, and then advertised to consumers as an environmental activity of divisions under the EMS at non-production sites. However, the research results also indicate that only the EMS does not guarantee the start of environmental branding. Just as Company X experienced, Suntory faced tough criticism from traditional marketing people saying that it was a waste of advertising time and space. Suntory, which is not listed on the stock market and is completely owned by the family of the current president, relied on the strong leadership of its president to eliminate such resistance. Suntory's environment division supports this movement by driving the Committee of Environmental Affairs and its subunits to discuss environmental branding more and persuading people opposed by providing the necessary information to support it. Different from Company X and Suntory, Kirin Beverage did not face much resistance within its organization to spend advertising money or space to advertise their environmentally friendly PET bottle when it started, because the parent company, Kirin Brewery, directed the company to do so.

- **Applicability to the Solutions for the DEA**

The success of the EMS and environmental branding at both competitors at least justifies our idea of applying the EMS to functional departments. However, their methods of overcoming opposition to environmental branding are not applicable to Company X although they provide some hints for solutions. The DEA could not depend on the strong authority of top

management too much because it is not as strong as that of Suntory due to the decentralized organizational culture of Company X. Moreover, the U.S. parent company does not officially support environmental branding yet while they faced reputational risks due to the environmental or human-right issues of their subsidiaries in India and Colombia. Thus, the project team assumed that the DEA must find other measures to reduce the opposition to environmental branding. Meanwhile, the story of coordinating agents is very interesting for the team. Their authority and measures to influence the decision-making process on environmental activities for whole organization clearly become a successful factor that drove the functional department to engage in environmental branding. All project members agreed that we should consider the importance of coordinating organizations and agents when creating our solutions.

## **Chapter 5: Company X**

### **I. Company Overview**

- **Brief Corporate History**

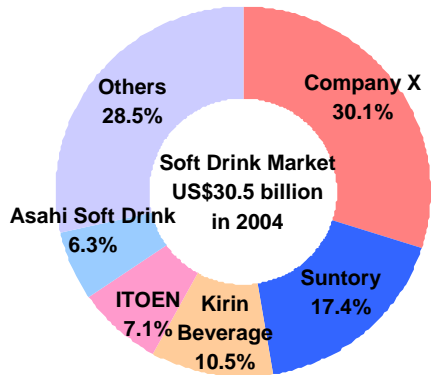
Founded in the mid-19th century in the U.S., the parent firm of Company X has gone through severe competition from imitators or substitute producers for several decades and now has become one of the leading nonalcoholic beverage enterprises in the world, operating in more than 100 countries. Although the parent company's soft drinks have been imported and sold in Japan since 1914, its full-fledged Japanese operation started after World War II when Company X, a 100-percent subsidiary of the U.S. parent firm, was established in Tokyo in 1957. From the 1960s to 1970s, the sales of soft drinks in Japan grew 5 times larger than in previous decades in accordance with the economic development of Japan. Carbonated beverages occupied a large share in this growing market and helped Company X, whose main products are carbonated, to take a leading position in the industry. The market maintained growth in the 1980s and 1990s due to the diversification of sales channels enabled by the spread of vending machines and convenience stores.

In this market, Company X maintained its position as the top soft drink company in Japan through its sophisticated branding skills and successful distribution of vending machines around Japan, and continues to be so until now. Currently, Company X and its bottling companies have about 23,000 employees at 521 sales offices, and provide 35 brand products through about 7,500 sales channels and almost a million vending machines; these numbers are the largest in the Japanese soft drink industry.

- **Business Condition**

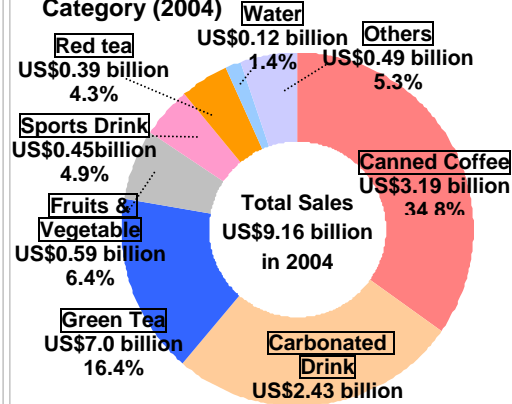
Company X has maintained the biggest market share since the 1960s, while it has had a fierce battle with other soft drink producers. In 2004, Company X's share was 30.1 percent, which is equivalent of a US\$ 30.5 billion soft drink market in Japan (Figure 5-1). Thanks to its successful brand promotion for four decades, Company X had top or second-ranked brand products in all 7 main soft drink categories (canned coffee, green tea, carbonated drinks, fruit juice, sports drink, red tea, and water), which consist of about 90 percent of the entire soft drink market (Figures 5-2 and 5-3).

**Figure 5-1: Japanese Soft Drink Market Share by Company (2004)**



(Source: Soft Drink Research Institute Inc. "Soft Drink Brand Book 2005")

**Figure 5-2: Sales Share in Company X by Category (2004)**



(Source: The Diamond Business Weekly, December 2005)

**Figure 5-3: Japanese Soft Drink Market Share by Category and Share by Company in Each Category (2004)**

Water	
Rank	Share
1 Suntory	18.3%
2 Company X	12.7%
3 Other	8.1%

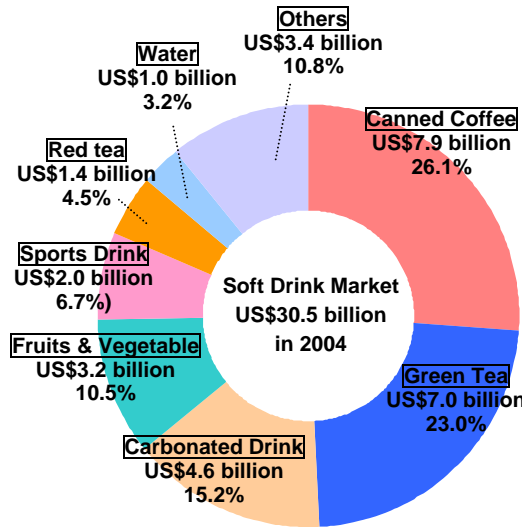
Red Tea	
Rank	Share
1 Kirin Beverage	40.1%
2 Company X	28.8%
3 Suntory	17.0%

Sports Drink	
Rank	Share
1 Company X	32.8%
2 Other	25.9%
3 Suntory	12.3%

Fruits & Vegetable Drink	
Rank	Share
1 Company X	18.4%
2 Suntory	14.5%
3 Kirin Beverage	7.5%



Canned Coffee	
Rank	Share
1 Company X	40.1%
2 Suntory	16.1%
3 Other	11.1%

Carbonated Drink	
Rank	Share
1 Company X	52.6%
2 Suntory	15.8%
3 Asahi Soft Drinks	10.8%

Green Tea	
Rank	Share
1 Company X	21.4%
2 Suntory	20.4%
3 ITOEN	16.1%

(Source: The Diamond Business Weekly, December 2005)

## II. Business Model

- Overview of Business Model**

At the time of entry into the Japanese market in 1957, the U.S. parent company applied a longstanding business model, which had supported the success of their worldwide business expansion. In this business model, at first, the U.S. head office establishes a 100-percent

subsidiary company in each country that takes charge of marketing (brand management), sales management (sales planning and strategy making), sales of formulated concentrate, and product development. Then, this subsidiary company establishes joint venture companies, called “bottlers” or “bottling companies,” together with local influential companies and gives these joint ventures control over production and sales to retailers. Under this business model, the subsidiary company earns a profit by selling the formulated concentrate of its soft drinks to bottlers or taking a certain percentage of their sales as a charge for brand usage. The first bottler was already established in 1956 in the Tokyo area, one year before the establishment of the Japanese subsidiary, to make its business start smoothly. During the next 30 years, 17 bottlers were established in other local areas in Japan; this bottlers’ network was later called the “bottler system,” as in other countries. The bottler system worked effectively to boost Company X’s sales from the 1970s to the mid-1990s because the existence of bottlers in each region enabled Company X to respond quickly to local demand and to expand regional sales channels, especially through setting up vending machines with less time and cost.

- **Surfacing Issues of the Bottler System**

However, in the late 1990s, national 24-hour convenience store chains became popular among young people and quickly replaced vending machines as major soft drink sales channels. This change in the main sales channel began converting Company X’s business model into an inefficient one. In terms of sales, area segmentation under the bottler system did not allow each bottler to respond to countrywide orders from national convenience store chains, which intended more discounts by mass orders. The negative side of area segmentation also happened in production and stock adjustment. Because area segmentation led each bottler to produce based only on its demand estimation and stock without taking adjoining bottlers’ output or stock into account, oversupply and short supply always coexisted somewhere in the overall system.

- **Recent Restructuring of the Bottler System**

To resolve inefficiency in sales and production caused by “several bottlers in one country,” which also happened in other countries at that time, the U.S. parent company of Company X proposed an “anchor bottler system” to achieve “one bottler in one country” for world-wide operation in 1997. After the announcement of this proposal, 6 bottlers in Japan were merged into 3 to become candidates for the anchor bottler. Although the proposal was not

implemented completely due to a strategy change by the U.S. parent company, the movement to the anchor bottler system spotlighted the issues in the Japanese bottler system and led the parent company and Company X to take some actions to resolve the issues of the current bottler's system in Japan. Company X and its bottlers integrated some parts of sales planning of Company X and sales functions of all bottlers into one entity to control sales across the country. They also agreed to decrease the number of manufacturing sites from 34 to 27 until 2007 and the number of warehouses from more than 100 to around 70 to increase overall production and distribution efficiency. To seek more efficiency, the U.S. parent company and Company X tried to persuade some bottlers to merge with each other because they felt that 14 bottlers were too many in Japan. However, the companies failed to encourage additional mergers between bottlers mainly due to ownership differences.

### **III. Corporate Culture**

"Marketing," or "brand management," is a key word to explain the corporate culture of Company X as it is so in its U.S. parent company and other subsidiaries. As described in its business model, Company X has controlled marketing since its start and has maintained building and updating a superior brand image to competitors' among Japanese consumers for a long time. Company X's successful history in marketing campaigns has made "marketing" (or brand management) the most important function within Company X over the years. Currently, the importance of new strategies or activities in Company X are often evaluated from the viewpoint of how much they can contribute to marketing, more concretely, to the improvement of its brand image. Even at the employee level, personal experiences and achievements in marketing are highly valued and often considered to be an important factor for professional success inside the company.

However, there is a flipside in this marketing-oriented corporate culture of Company X. Although the long history of marketing focus has brought the company a sophisticated ability in brand promotion, it has also brought a growing indifference to the issues of non-marketing topics within the company. In fact, this indifference became one of the factors that delayed the decision to reform inefficient sales and production under the bottler system in the late 1990s. Many employees at the head office had been indifferent to such non-marketing issues.

The disinterest in non-marketing topics also impeded the application of an EMS to Company X by the DEA because almost all employees at the head office did not recognize an EMS as

an action that would contribute to brand value.

## **IV. Environmental Management**

- **The Spread of ISO 14001 in Japan**

Soon after its introduction in 1996, ISO 14001 was widespread in most Japanese manufacturing businesses, especially those heavily reliant on exporting revenue. Those companies had a past experience when European companies suddenly stopped business deals with those without ISO 9001 because of their increasing quality concerns in the early 1990s. The companies took ISO 14001 certification very seriously simply because they were afraid that European companies, whose domestic consumers have relatively high environmental awareness, would do the same as they had with ISO 9001. However, the reason to take ISO 14001 was changed a few years after its introduction. As the number of certified companies increased, the benefits of ISO 14001, such as improving production efficiency and corporate image, began to be widely known among certified companies. This fact motivated other industries to engage in ISO 14001 and has increased the number of ISO 14001 certification sites in Japan.

- **ISO 14001 in the Soft Drink Industry**

In addition to increasing environmental concerns among consumers at that time, since 1998, the benefits brought by ISO 14001 also drove businesses in the soft drink industry to take ISO 14001 certification at their production sites. As seen in other successful cases, the competitors of Company X, Suntory and Kirin Beverage, applied ISO 14001 to their production sites and succeeded in improving production efficiency by reducing energy and water input. These successes in environmental management encouraged the companies to promote their products with more environmentally friendly images and lower prices based on the cost reduction through ISO 14001. To cope with such competitors' movements, three Company X bottlers applied ISO 14001 at their production sites in 1999. After confirming the same kind of benefits of ISO 14001 as their competitors, the bottlers suggested that Company X should expand the initiative of environmental management across the group to maximize the benefits from an EMS.

- **Development of the Original EMS and Its Application**

In reaction to the Japanese bottlers' suggestion, the DEA of Company X and the U.S. head office developed an original environmental management system that was consistent with ISO

14001, but tailored some parts of the system to fit the operation of Company X and its bottlers better. In 2001, one Japanese bottler, which had already experienced ISO 14001 at their production sites, adapted this original EMS at the vanguard of all bottling partners across the world. From 2002 to 2004, this bottler achieved a US\$1.7 million cost reduction through energy and raw material savings and waste reduction, in addition to their past cost reduction through ISO 14001. In addition to reducing environmental impact, this original EMS gained strong support from the bottler's employees, who were impressed by its contribution to the local community, and motivated them to improve the performance of the EMS more. Encouraged by those positive aspects of the original EMS, 12 other bottling partners in Japan also started to apply the original EMS to their production sites in 2003, and the rest of the bottlers followed in 2004. Around the same time, the DEA planned to expand the EMS to Company X, aiming not only to involve whole supply-chain players in the EMS but also to start environmental branding through collaboration between the marketing department and the bottlers, which have useful information about consumers. However, as explained in chapter 1, the DEA faced strong resistance from the marketing and sales departments and temporarily terminated the plan.

## **V. Key Learnings from Analysis of Company X**

- **Findings from Analysis**

Analysis of the business model and corporate culture of Company X indicates that these two characteristics of Company X negatively influenced departments at the head office to accept the EMS and environmental branding. It is not difficult to imagine that the long history of the bottler system has separated the departments at the head office from consumers and negatively influenced their concerns with the EMS and environmental branding. The project team assumed that the employees at the head office cannot recognize environmental actions as those that improve brand image due to the same reason. However, the project team needed to confirm whether this assumption was true or not in later research.

On the other hand, it is apparent that the corporate culture of respecting "marketing" activities resulted in the indifference of employees at the head office toward the EMS, since most still strongly believed that environmental activities are not related to brand improvement. As an example of the strength of their belief, members of the DEA, who suggested EMS application to the head office in a management conference the first time, introduced their experiences to the project team and noted that participants from various departments were not persuaded by

a one-time presentation made by the DEA about “why” and “how” an EMS contributes to brand improvement.

DEA members felt that they lacked data and real business cases justifying their explanation based on the criticism they received at the conference. They also commented that some participants in the management conference complained about how they justified the time and cost spent for the EMS because there were no prescribed strategic goals and performance evaluation in the company.

- **Hints for Solutions**

The findings in the analysis of this chapter, and the comments from DEA staff who suggested EMS application to the head office, provided important hints for the solutions the project team will generate. The hardship the U.S. parent company and Company X faced when restructuring the bottler system indicates that the project team should be careful about choosing methods for the departments at the head office to cooperate with the bottlers, because the project team is thinking about their collaboration to share EMS experiences and consumer voices, and to promote environmental branding. The DEA’s failure to explain the benefits of the EMS for brand improvement teaches the importance of “real” information at the point of persuading employees at the head office to overcome their fixed concept that environmental practices do not enhance brand recognition. Lastly, the comment on the lack of strategic goals and performance evaluation of the EMS in Company X made the team notice the systematic issues we should resolve at the same time we persuade departments at the head office to engage in the EMS.

## **Chapter 6: Interviews and Questionnaire Survey**

### **I. Background of Interviews and Questionnaire Survey**

The analysis in chapter 5 allowed the project team to speculate on the reasons why departments at the head office resisted the EMS and environmental branding, and to find some useful hints for solutions to reduce the resistance of those departments. However, because the analysis in Chapter 5 is based only on a literature review of corporate information and talks with some members of the DEA, the project team was not sure whether the opposing reasons and levels against the EMS and environmental branding were actually common to all departments or employees or not. If the opposing reasons and levels were not common to all departments or employees, the team would have to reconsider the current idea of the solutions or the method of applying the clues for the solutions found in our analysis. To clear up the anxiety above, the DEA and the project team agreed to execute interviews with employees from various departments with different backgrounds and a questionnaire survey to all employees at the head office. Although the interviews and surveys mainly aimed to give answers to the question above, the project team also expected these tools to give more useful information for our solutions for the DEA. In practice, the team interviewed 7 people from various departments in October 2003, and then distributed a questionnaire survey to all 495 employees in Company X in August 2004 after the organizational transformation.

### **II. Interviews**

#### **II-i. Purpose, Methodologies, and Limitations**

- **Interview Purpose**

As described in the previous section, the interviews aimed to identify whether interviewees have the same reasons for resisting the EMS and environmental branding, and to gain practical hints for solutions to decrease such resistance to the EMS through opinions from interviewees. The project team put importance on the latter purpose partly because the number of interviewees was too limited to represent the opinions of all employees in Company X, and partly because the interview itself is more suitable for getting detailed information about one question.

- **Selection of Interviewees**

To maintain the objectivity of opinions from interviewees, the DEA, in conjunction with the Human Resources department, tried to select candidates from diverse backgrounds in terms of department, age, and gender. The team also ignored whether the candidates agreed or disagreed with the EMS at the time. Unfortunately, the resulting group of 7 interviewees was not very diverse in terms of department and gender: 5 out of the 7 people were from the marketing division, and 6 were males out of 7 people (Table 6-1). However, the project team had no other options to make the group more diverse because the number of people who volunteered to be interviewed was too small.

**Table 6-1: Information about Interviewees**

Interviewee by Initial (Sex)	Age	Department	Position	Group
T.M (M)	45-49	Strategic Marketing	Group Manager	Design Management
I.C (M)	40-44	Sales Management	Senior Manager	Convenience Store Group, Channel
A.W (M)	40-44	Customer Marketing	Director	Corporate Customer Marketing
M.M (F)	35-39	Strategic Marketing	Group Manager	Fruits Juice Brands
S.T (M)	35-39	Strategic Marketing	Group Manager	Sports/Water Brands
T.I (M)	30-34	Strategic Marketing	Manager	Sales Promotion
T.G (M)	25-29	Public Affairs & Corporate Citizenship	Group Manager	Internal Communication

- **Interview Process and Questions**

Interviews were conducted in a “2 to 1” style: 2 interviewers (a person from the DEA and me) and 1 interviewee. There were two big questions in interviews. The first one asks why the EMS was not accepted by people at the head office when the DEA suggested the program, and the second one asks how they think the DEA can improve the situation. To find various clues for solutions, the project team did not specify the content of the two questions too much and allowed interviewees to freely answer the questions.

- **Limitations**

Above all, it is hard to say that the interviewees’ opinions represent those of the whole head office, because the ratio of gender, age, and department in the focus group is not proportional to those of the overall Company X. Therefore, the project team agreed that the opinions from the interviews would mainly be used to learn useful information for creating the solutions for the DEA, while they are also referred to estimate the attitude of other employees toward the EMS in the company.

## **II-ii. Interview Outcome and Discussion of the Outcome**

- **Opinions about the Causes of Resistance to the EMS**

While there were diverse explanations about the causes of opposition to the EMS and environmental branding, the project team was able to summarize the opinions of the interviewees into two points, which explain the marketing and sale management division's opposition mentioned in chapter 1. The biggest cause that all interviewees agreed on was that no direct contact with consumers due to the bottler system prevented people in Company X from recognizing the necessity of engaging in the EMS and environmental branding at the head office. All interviewees were quite sure that the bottler system prevented the flow of consumer voices to people at the head office and led them to be less and less sensitive to the change in consumer concerns, including their growing environmental concerns. The second cause that 5 out of 7 interviewees supported was a strong belief among employees in Company X that environmental practices are just a cost factor and do not contribute to improve brand value strengthens their negative attitude toward the EMS. They agreed that no direct contact with consumers due to the bottler system kept the departments at the head office from recognizing environmental actions as those to improve brand image as the project team assumed in Chapter 5. This results in the indifference of people at the head office toward the EMS and environmental branding because contribution to brand is highly esteemed under the corporate culture of Company X. Some interviewees in manager positions also pointed out that this belief influenced the absence of corporate goals and performance evaluation for environmental activities, which discouraged departments from accepting the EMS and environmental branding.

- **Ideas for Solutions**

Although it was not an easy task for participants in the interviews to give clear suggestions for removing these causes during their interviews, they suggested one activity and three points that should be taken into account in our solutions. The one activity all interviewees brought up was that the DEA, together with the Human Resources department, should create an educational program about the recent consumers' awareness change and competitors' movement on environmental issues, and provide the program to all people at the head office to make them understand the necessity of the EMS and environmental branding. All participants told us after the interviews that they recognized their lack of information about consumer's high concerns and competitor's actions about environmental issues, and felt the

company should take some action to protect their brand image. The interviewees believed that giving the same experience to other employees, especially people in the marketing and sales management departments, would be very useful in decreasing their resistance to the EMS and environmental branding. Some interviewees also advised that the educational program should be conducted in partnership with the bottlers of Company X and the customer marketing (the section dealing with corporate clients) and customer service departments to let the program to contain real consumer's voices and business cases in corporate clients about environmental consideration.

In addition to the educational program, three interviewees who were close to top management described three points to consider in the solutions for the DEA. The first point is to involve the whole organization of Company X in the EMS and promote cooperation between Company X and its bottlers at one time. It is apparent from the bottler system that missing any department or bottler keeps the company from establishing an EMS that covers the whole supply-chain from product development to sales. Moreover, cooperation between the departments at the head office and the bottlers is indispensable for effective environmental branding because each separately has useful information, resources, and expertise.

The second point is to make the company commit to a long-term engagement in environmental actions, including the ones our solutions suggest. Three interviewees agreed that it would take a certain amount of time for the environmental actions to achieve satisfactory results. In fact, it is estimated that the newly proposed educational program would take at least half a year to persuade staff at the head office to recognize the need for the company to engage in the EMS and environmental branding. As for environmental branding, it is said to be very difficult to measure its advantages on business in the short term, since advertising environmental consideration of the company is not reflected in sales or brand indicators immediately.

The third point is to take a comprehensive approach in executing the environmental activities to maximize their effect under the appropriate coordination. To be more precise, one environmental action should be linked up with the other in terms of timing and content if one can increase the effect of the other. For example, if the DEA found a good business case of applying the EMS in the marketing division for a new educational program, it would not be helpful for the marketing division if it were provided far behind of the timing of its establishment of the EMS.

This point also spotlights the necessity of a proper coordinator who can understand the linkage among the activities and organize them to generate better outcome.

### **III. Questionnaire Survey**

#### **III-i. Purpose, Methodologies, and Limitations**

- **Survey Purpose**

The questionnaire survey sent to all employees in Company X was designed to learn whether the level of resistance to the EMS was common in all departments or people in the company. The project team did not use the word “environmental branding” because the survey asked about “existing” environmental activities. However, the team assumed that the response to the EMS would allow us to estimate the attitude toward environmental branding, too. Personal information about survey respondents allowed the project team to analyze the survey results from the perspective of department, gender, and age. Through interviews, it became more certain that the reasons for opposing the EMS were the same regardless of department in the company.

Thus, we focused more on understanding how the degree of opposition was different among departments and people in the company. The survey was conducted as a part of an “employees’ review of the environmental report this year” asking about the report distributed to all employees before the survey, because the DEA wanted to avoid stimulating people opposing the EMS within the company by using the name of the “EMS” openly.

- **Selection of Employees and Survey Process**

Because the number of employees at Company X’s head office was not large, 495 people at the point of survey, the project team sent questions to all of them. An email with a link to the survey question homepage was distributed to all employees. We set the reply deadline one week after the day the email was sent and got 119 to 130 replies depending on the question, about 24 to 26 percent of all employees.

- **Survey Questions**

The survey questions consisted of 7 main questions with 4 secondary questions. Five out of the 7 main questions asked about the impression of the 2004 environmental report in terms of content, volume, and the manner of presentation. The other 2 main questions, the fifth and sixth questions, were arranged to achieve the survey objectives. The fifth question asked about how employees evaluated environmental activities “in Company X” itself, which was introduced in the environmental report. The sixth one asks about how employees evaluated the activities “in the group” (meaning those in the bottlers of Company X). The project team presumed that asking about their evaluation on “environmental activities” reveals their opinions about the EMS to a certain degree. In this context, we paid more attention to the response to the sixth question because the activities are managed under the EMS. The question used the style of five-grade evaluation, starting from the highest at the left end to the lowest at the right end.

They are shown in the question sheet as follows: “Highly Valued,” “Valued,” “Average,” “Not Valued Very Much,” and “Not Valued at All.” The project team agreed to place more weight on the percentage of “Highly Valued” and did not so very much on that of “Valued” because the team assumes that many employees in the company simply “valued” without considering their own interests due to the good image of environmental activities.

- **Analysis by Category (Department, Gender, and Age Group)**

The purpose of examining the survey outcome by department, gender, and age is to make sure the level of opposition is the same or not. Simultaneously, it also allows the project team to identify a “problem group” of employees who show stronger opposition to the EMS. These findings assisted the team in formulating the solutions especially when the team was determined to apply the same kind of solutions to all employees or to tailor them to a certain group of employees. To find a “problem group,” we decided to use two methods in the analysis.

The first method is a simple percentage comparison between a subject group (a candidate of the problem group) and all the other ones. We use this method only to grasp the overall difference of a subject group and all the other ones in each question. The second method is a statistical test called the “chi-square test for independence,” which is specifically used to evaluate significant differences between proportions for two or more groups in a data set. In the chi-square test, the project team set 2 hypothetical assumptions at first. The first one, the null hypothesis, is that there is no significant difference among proportions of a subject group

and all the other ones. On the other hand, the second one, the alternative hypothesis, is that there is a significant difference among proportions of a subject group and all the other ones. Then, the chi-square value of a subject group is calculated based on the results of the questionnaire survey. If the value were larger than the rejection region of the chi-square distribution, it would indicate that there is a significant difference between the proportions of a subject group and those of all the others; in short, it rejects the null hypothesis. In this case, we conclude that a subject group is a “problem group” followed by the rules of the chi-square test.

- **Limitations**

Above all, the project team was afraid whether only two questions were enough or not to achieve purposes in the survey. Moreover, the sentences of these questions are very indirect to ask about the EMS because we have to disguise the questions as ones related to the environmental report somehow. Although adding more questions or using more direct phrases would allow us to get more precise information, it would be highly possible that they would attract the attention of the group opposed to the EMS within Company X, which the DEA does not want. Concerning sample size, covering opinions of 24 to 26 percent of all employees is almost sufficient, considering that the statistically ideal sample size is 30 percent of all employees.

However, the composition of survey participants in terms of department is not very proportional to that of whole Company X. The ratio of the finance, sales management, technology, and development departments in survey participants is a little higher than the actual ratio of those departments, while that of the marketing department is almost half. On the other hand, the composition of participants in terms of gender and age group is almost equivalent to that of the entire company. While our team presumed that this sample group was durable enough to estimate the attitude of all employees in Company X toward the EMS, we agreed to be more careful when we estimate the opinions of each department, especially those of marketing.

### **III-ii. Survey Outcome**

- **Results by Department**

In this analysis, the project team set the marketing and sales management departments as subject groups (candidates for the problem group), because both departments had expressed clear opposition to the EMS since its introduction to Company X.

#### ***Question 5***

Initially, our team expected to see a very negative response from employees in marketing and sales management. However, the results we obtained were mixed. As expected, the survey participants from the marketing division evaluated the activities lower than other departments did (Table 6-2). Although it did not reach the rejection level, the chi-square value

of the marketing group becomes high enough to indicate that the group is different from other groups to some degree (Table 6-3). Contrary to our expectation, the valuation by sales management members of the activities was almost the same as those of other departments' members, expressing a certain approval of the activities. To identify the causes of this unexpected response, the project team contacted some respondents in the sales management section. The talks with them revealed that they recently had had more opportunities to learn about consumers' environmental concerns through a joint sales company with the bottlers that deals with sales orders across the nation. This fact not only taught the project team the importance of knowing consumers' environmental concerns about environmental awareness but also encouraged the team to develop a new educational program, which aims to inform employees in Company X of such consumers' concern.

**Table 6-2: Percentage Results of Question 5 by Department**

Department*	# of People	Q5.How do you evaluate our own activities for environmental consideration?				
		Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Finance	12	42%	33%	25%	0%	0%
Public Affairs & Corporate Citizenship	7	29%	29%	29%	14%	0%
Sales Management	14	14%	57%	21%	7%	0%
Strategic Marketing	9	0%	44%	33%	11%	11%
Strategy & Planning	6	33%	50%	0%	17%	0%
Technology & Quality	25	20%	44%	32%	4%	0%
Research & Development	6	0%	33%	67%	0%	0%
National Sales Company*	28	18%	29%	29%	18%	7%
Company X (Overall)	130	20%	42%	27%	8%	2%

\*Only listed the departments having at least more than 5 respondents

**Table 6-3: Chi-square Value & Rejection Region of Question 5 by Department (Sales Management & Marketing)**

Department	Q5	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Sales Management	1.16	>9.48	>13.47
Marketing	5.39	>9.48	>13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

### Question 6

The results for question 6 are not very different from those of question 5, though more people valued the bottlers' activities a little higher than their own. In spite of a little better valuation than question 5, the survey participants from marketing still rated the activities lower than others, while those from the sales management department also rated the activities as well

as others (Table 6-4). The outcome of this question did not show a significant difference statistically between the group from the marketing department and those from other ones (Table 6-5). However, the chi-square value of the group from the marketing department is a little higher than any other group again.

**Table 6-4: Percentage Results of Question 6 by Department**

Department*	# of People	Q6.How do you evaluate group-wide activities for environmental consideration?				
		Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Finance	12	33%	50%	17%	0%	0%
Public Affairs & Corporate Citizenship	7	29%	43%	29%	0%	0%
Sales Management	14	21%	64%	7%	7%	0%
Strategic Marketing	9	0%	56%	22%	22%	0%
Strategy & Planning	6	33%	67%	0%	0%	0%
Technology & Quality	25	12%	60%	20%	8%	0%
Research & Development	6	0%	50%	50%	0%	0%
National Sales Company*	28	18%	50%	21%	11%	0%
Company X (Overall)	130	18%	56%	19%	6%	0%

\*Only listed the departments having at least more than 5 respondents

**Table 6-5: Chi-square Value & Rejection Region of Question 6 by Department (Sales Management & Marketing)**

Department	Q6	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Sales Management	1.13	>9.48	>13.47
Marketing	4.63	>9.48	>13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

- **Results by Gender**

In analyses of the outcome by gender, the project team focused on the opinions of female employees, assuming that they are a subject group. However, treating the female group as a subject group is not based on the fact we found, but just a statistical procedure to calculate the chi-square value. The outcome of this question is based on 119 employees because some respondents did not specify their gender.

**Question 5**

As a whole, the project team cannot recognize any exceptional difference between the percentage distribution of male respondents and that of female Respondents (Table 6-6). The chi-square value of female respondents is also far from the rejection region (Table 6-7).

**Table 6-6: Percentage Results of Question 5 by Gender**

		Q5.How do you evaluate our own activities for environmental consideration?				
Gender	# of People	Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Male	91	19%	43%	27%	7%	2%
Female	30	27%	37%	20%	10%	3%
Company X (Overall)	119	21%	42%	29%	8%	3%

**Table 6-7: Chi-square Value & Rejection Region of Question 5 by Gender (Female)**

Gender	Q5	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Female	1.70	9.48	13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

**Question 6**

Similar to the outcome of question 5, that of question 6 shows no significant difference in the valuation by both genders (Table 6-8). The chi-square value of female respondents is far from the rejection region again (Table 6-9).

**Table 6-8: Percentage Results of Question 6 by Gender**

		Q6.How do you evaluate group-wide activities for environmental consideration?				
Gender	# of People	Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Male	91	18%	57%	20%	5%	0%
Female	30	23%	50%	23%	3%	0%
Company X (Overall)	119	19%	56%	21%	5%	0%

**Table 6-9: Chi-square Value & Rejection Region of Question 6 by Gender (Female)**

Gender	Q6	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Female	0.95	9.48	13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

- **Results by Age Group**

In this analysis, the project team paid attention to the response of employees in their 40s, most of whom were managers or senior managers, as subject groups. We focused on them because they are leaders in practical operations and are the most influential in forming an opinion of the department about any kind of corporate strategy. In fact, we heard a story from the DEA that the opposition from managers in most of the departments at the head office moved their executive directors to decline the DEA's suggestion to apply the EMS to Company X.

***Question 5***

It becomes obvious from the result of this question that there is a separation in opinion between people aged 40 to 44 and those aged 45 to 49. The respondents aged 45 to 49, many of whom were senior managers, assessed the programs for environmental protection within the company as well as the other age groups did. On the other hand, the respondents aged 40 to 44, many of whom were managers, assessed the programs lower than other age groups and became the only group in which a majority (57 percent) of respondents scored "average" or "not valued" (Table 6-10). Although the chi-square value of this group did not reach the rejection level, it became enough high to recognize that the group was a little different from the other ones (Table 6-11). To learn the reasons for the difference between those two age groups, DEA members on the project team asked extra questions of the managers and senior managers who had taken part in our survey. Through their replies, the team grasped that the difference of their contact with external information created the difference in valuation between these two age groups. Managers in Company X are usually less concerned about external information that may influence corporate strategy because they have to concentrate on daily operations as their responsibility. It causes them to have almost no interest in the background of the EMS engagement at production sites (the bottlers of Company X) and that of EMS application to the head office. On the contrary, most senior managers knew about high environmental concerns among consumers and understood the necessity of the EMS because they often refer to information outside the company for their decision making. This fact encouraged the project team to apply the idea of offering employees in the head office programs to learn about increasing consumers' environmental concerns and competitors' response to such concerns, because senior managers became more supportive of the EMS as a result of their own learning about it.

**Table 6-10: Percentage Results of Question 5 by Age Group**

Age Group	# of People	Q5.How do you evaluate our own activities for environmental consideration?				
		Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Ages 25-29	12	17%	50%	17%	8%	8%
Ages 30-34	40	25%	43%	20%	8%	5%
Ages 35-39	21	24%	33%	33%	10%	0%
Ages 40-44	14	21%	7%	43%	14%	0%
Ages 45-49	7	14%	57%	29%	0%	0%
Ages 50-	31	13%	58%	23%	6%	0%
Company X (total)	127	22%	46%	23%	6%	1%

\*Only listed the age segment having at least more than 5 respondents

**Table 6-11: Chi-square Value & Rejection Region of Question 5 by Age Group (Ages 40-44 & 45-49)**

Age Group	Q5	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Age40-44	4.48	9.48	13.47
Age45-49	0.45	9.48	13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

### Question 6

Because of the same reason in question 5, the group aged 40-44 did not “value” well group-wide activities for environmental consideration, while that aged 45-49 valued as the other age groups did (Table 6-12). However, the lower valuation by the age group of 40 to 44 in this question, which is the almost the same as that in question 5, becomes more outstanding because other age groups valued the group-wide activities higher than those in Company X. The chi-square value of the group of aged 40 to 44 becomes very close to the rejection level, which almost means the group has apparently different opinions about the question from the other ones (Table 6-13).

**Table 6-12: Percentage Results of Question 6 by Age Group**

Age Group	# of People	Q6.How do you evaluate group-wide activities for environmental consideration?				
		Highly Valued	Valued	Average	Not Valued Very Much	Not Valued At All
Ages 25-29	12	8%	92%	0%	0%	0%
Ages 30-34	40	20%	48%	25%	8%	0%
Ages 35-39	21	24%	57%	10%	5%	0%
Ages 40-44	14	29%	14%	43%	14%	0%
Ages 45-49	7	0%	86%	14%	0%	0%
Ages 50-	31	13%	68%	13%	6%	0%
Company X (total)	127	20%	58%	15%	5%	0%

\*Only listed the age segment having at least more than 5 respondents

**Table 6-13: Chi-square Value & Rejection Region of Question 6 by Age Group (Ages 40-44 & 45-49)**

Age Group	Q6	Rejection Region (p=0.05;df=4*)	Rejection Region (p=0.01;df=5*)
Age40-44	9.16	9.48	13.47
Age45-49	1.68	9.48	13.47

p=0.05;df=4: 95% confidence level, degree of freedom = 4

p=0.01;df=4: 99% confidence level, degree of freedom = 4

### III-iii. Discussion of the Outcome of the Questionnaire Survey

- Discussion of the Survey Results by Department**

The project team confirmed that people in the marketing department are categorized as “a problem group” on which we should focus at the point of considering the solutions involving whole departments in Company X in the EMS. As expected, the survey respondents from the marketing department gave very low valuation to current environmental activities taken by Company X and its group. However, the chi-square values of the marketing group in questions 5 and 6, which the team assumes to imply the degree of their opposition to the EMS, did not reach the rejection region. Contrary to that of the marketing department, the survey outcome of the sales management department is very different from our expectation. Previously, the DEA and our project team recognized that the sales management department was very negative about EMS application to the head office. However, the recent contact with real consumers with high environmental concern seemed to have changed the attitude of employees in the sales management department toward environmental activities. These findings are very meaningful for the project team in creating the solution for the DEA.

Statistically, the chi-square values of the marketing group in both questions indicate that there is still enough possibility of changing the opinion of the marketing department of the EMS. Moreover, the story of changing the attitude of the sales management department toward the EMS reinforces the validity of providing employees at the head office with an educational program about consumers' environmental concerns.

- **Discussion of the Survey Results by Gender and Age Groups**

The project team concluded that we will not consider the difference between men and women in our solutions since there is no outstanding difference in opinions about the EMS between the two genders. On the other hand, the team noticed that we should pay attention to the differences in ages in our solutions considering the existence of the problem group, people aged 40 to 44, who showed strong aversion to environmental activities in their answers. Fortunately, additional questions of the survey participants aged 40 to 44 explained that their negative attitude to the EMS simply comes from their lack of understanding the background of those programs. Simultaneously, additional questions of those aged 40 to 44 and their survey response point out that such a negative attitude can be changed through learning current consumers' concerns about environmental issues. Based on the facts above, the project team reached consensus that we should reduce their opposition to the EMS by providing them more learning opportunities than other age groups in which they can recognize increasing consumers' environmental concerns and competitors' response to such concerns.

## **Chapter 7: Project Outcomes**

### **I. Summary of Situation Analysis**

#### **I-i. Current Issues**

- **Summary of External Analysis – Chapters 3 and 4**

Environmental awareness among Japanese people, including the main consumers of soft drinks, has steadily grown since 1990s through increasing media coverage of environmental issues and political events such as COP 3 concluding the Kyoto Protocol. Both the popularity of corporate eco-brand ranking and the successful business cases of green products or services reflected such increasing consumers' concerns about environmental consideration of business institutions. Major competitors of Company X quickly responded to this consumer trend and successfully improved their brand image by reducing environmental impact in their whole supply-chain under the EMS and advertising their achievements to consumers.

- **Summary of Internal Analysis and EMS– Chapters 1, 2, 5, and 6**

#### ***Issues in Protecting Company X's Brand Image***

On the other hand, Company X has been failing to take effective actions to protect its brand image. Company X has suffered from lower valuation of its environmental practices from consumers than its competitors because the company has made no effort to decrease environmental impact in the “supply chain” or to advertise its environmental consideration to consumers. From the viewpoint of the supply chain, the EMS is applied only in production (the bottlers of Company X), not in product development, sales, and marketing (Company X itself). To make matters worse, organizational separation due to the bottler system prevents the company from advertising its environmental consideration to consumers effectively because it makes difficult for the marketing and public relations departments to cooperate with the bottlers, which have information and access to consumers.

### ***Issues Involving the Departments at the Head Office in the EMS and Environmental Branding***

While the application of the EMS to Company X itself was suggested by the DEA to resolve current issues in the EMS, this suggestion went into deadlock because of the strong opposition of the departments at the head office, especially the marketing and sales management departments. Interviews and a questionnaire survey targeted to employees in various departments, discussed in chapter 6, revealed two major reasons for the opposition from those departments. First of all, no direct contact with real consumers who have growing environmental concerns, which is caused by the bottler system, keeps the departments at the head office from feeling the necessity of engaging in the EMS (and environmental branding as an extension of the EMS). Secondly, detachment from consumers due to the bottler system misleads employees in Company X to believe that environmental activities do not improve brand image, which reinforces their indifference to the EMS and environmental branding under the corporate culture of respecting the contribution to brand improvement. In the outcome of the questionnaire survey, discussed in chapter 6, the effect of this belief is clearly observed among people in the marketing department, which is an opinion leader among the departments in Company X, and among managers (ages 40 to 44) who are opinion leaders in each department, which ended up unfavorable attitude of the departments in Company X toward the DEA's suggestion. In terms of real operation, this belief results in the absence of strategic goals and an evaluation system for environmental activities in Company X, which also discourages all departments in Company X from accepting the EMS.

#### **I-ii. Scope of Issues to be Solved and Solutions for the Issues**

- **Background**

Before discussing the solutions for achieving the project's purpose, the project team defined the scope of issues to be solved in the solutions, and then listed the solutions in the method of matching the issues to be solved as much as possible. The team had been afraid of losing efficiency and preciseness in our work for creating the solutions since we found a large number of factors we should consider through our research. Taking these two steps helped the team to not only work efficiently but also provided appropriate solutions by keeping us focused on "truly necessary" actions to solve the issues despite the large number of factors we should consider.

- **Scope of Issues to be Solved**

The project team sorted out internal issues as follows to reconfirm what we are going to correct through the solutions we suggest. As a result, the team recognizes there are two types of issues, issues that presently happen in Company X and possible issues that could happen when the EMS or environmental branding starts in the company.

***Scope of Issues to be Solved***

**(Overall Issue)**

Lower valuation by consumers of environmental practices in Company X and its group than those in its competitors because of missing “supply-chain” involvement and environmental branding

**(Issues in Protecting Company X’s Brand Image)**

1. No participation by the departments at the head office in the EMS

\*Possible issues at the time of EMS application to the departments at the head office

- Possibility of avoiding environmental branding by the departments at the head office
- Absence of coordinating organization and agent to facilitate environmental branding

2. No advertising to consumers about its environmental consideration

\*Possible issues at the time of beginning environmental branding

- Difficulty of collaboration between the departments at the head office and the bottlers to promote environmental branding due to the bottler system

**(Issues Involving the Departments at the Head Office in the EMS and Environmental Branding)**

1. No measures for departments at the head office to know consumers’ environmental concerns due to the bottler system

2. Lack of understanding among employees at the head office about the positive effects of environmental activities on brand image

- Strong opposition to the EMS among employees in the marketing department and manager positions
- No strategic goals or an evaluation system for environmental activities

- **Solutions to the Issues**

Based on the scope of issues to be solved, the team listed the solutions in the method of matching the issues to be solved. The DEA and the project team reached an agreement that we should not challenge the current bottler system itself because it is a very sensitive matter that even the top management of the U.S. parent company has found difficult to deal with, as seen in chapter 5. The solutions for the DEA are composed of two parts, those that protect Company X's brand image, and those that involve the departments at the head office in the EMS. In the solutions that protect Company X's brand image, the project team focused only on those to prevent possible issues because implementing solutions 1 and 2 themselves are not big issues.

### ***Solutions to the Issues***

#### **(Main Purpose)**

Improving Company X's valuation by consumers on its environmental practices through involving its whole "supply-chain" and starting environmental branding

#### **(Solutions That Protect Company X's Brand Image)**

1. Involve the departments at the head office in the EMS

Solutions to prevent possible issues

- Establish a coordinating organization and agent that decides overall activities under the EMS

2. Begin environmental branding

Solutions to prevent possible issues

- Apply a cross-functional team (CFT) scheme for collaboration between the departments at the head office and the bottlers

#### **(Solutions That Involve the Departments at the Head Office in the EMS)**

1. Offer educational programs for employees at the head office to learn about consumers' environmental concerns, and positive effects of environmental activities on business to assist next action assignment

- Focus on those in the marketing departments and manager positions

2. Create performance evaluation for environmental activities that explains to employees the contribution of those activities to brand improvement

## **II. Solutions for the DEA**

The solutions that involve the departments at the head office in the EMS are implemented first because those to protect Company X's brand image are premised on the condition the former ones provide. Thus, this section explains the solutions to apply the EMS to the head office first, and the solutions to improve the current EMS second.

### **II-i. Solutions That Involve the Departments at the Head Office in the EMS**

- **Solution 1**

: Offer educational programs for employees at the head office to learn about consumers' environmental concerns, and the positive effects of environmental activities on business to assist the next action assignment

- Focus on those in the marketing department and manager positions

#### ***Necessary Factors for the Solutions***

To create an effective environmental learning program, the project team puts importance on four points: "frequency" and "variety" of learning opportunities, "practicality" of learning information, and "reality" of learning experiences. Due to the bottler system, almost all employees at Company X have almost no access to consumers in their daily business. Thus, it is very significant for the program to provide learning opportunities with a certain "frequency" through "various" measures not only to reach as many employees as possible but also to keep them interested in consumers' environmental concerns. The "practicality" of learning information is significant to persuade people in the marketing department and in manager positions because their main reason for resisting the EMS is based on the irrelevance of the EMS to real business. Finally, the program should provide the experiences of knowing "real" consumers' concerns, which the team believes have enough impact to change the opinions of people opposed to the EMS. As seen in the story in chapter 6, contact with real consumers could reduce the opposition of sales management people to the EMS. The project team expects it as a final measure to persuade people in the marketing department and managers if they do not change their opposition to the EMS even after they go through the other measures the solutions here provide.

### ***Content of the Solutions***

Taking all above factors into account, the project team suggests applying a new environmental learning program that uses four measures, educational sessions, intra-office communication media, knowledge sharing system, and cross-functional team. As a starting point for education, the team recommends offering all employees in Company X educational sessions about current consumers' concern regarding environmental issues and competitors' moves to respond to the issues. Through the session, the team anticipates the participants in this session noticing the importance of this change in consumer trend for brand image or future sales, as all interviewees in chapter 6 did. However, an educational session is not suitable for providing necessary information to all employees at the head office with enough frequency to keep their interest in this topic. To cope with this possible issue, the project team thinks using both intra-office communication media and the knowledge-sharing system simultaneously would be a good idea. Intra-office communication media, including intra-office magazines and news on the intra-net homepage, is able to disseminate general information about consumer trends or business news to all employees in the group on a daily or weekly basis. On the other hand, the knowledge-sharing system, a database used across departments at the head office, is appropriate for sharing business information details such as marketing research results or useful business cases with many people simultaneously. The team plans to use intra-office communication media not only to distribute the latest business news related to environmental consideration but also to induce readers of those media into the knowledge-sharing system to know more details about environmental topics they are interested in.

In addition, the team will set up two new sections in the knowledge-sharing system to insert practical information on environmental consideration. The first one is about marketing research on consumers' environmental concerns and news on competitors' reaction to it, both of which are useful for marketing analysis. The second one is about internal or external successful business cases in the environmental field, all of which are applicable to the improvement of operations in Company X. These two sections mainly target people in both marketing departments and managers because they are one of the most frequent users of the knowledge-sharing system.

In addition to various learning opportunities listed above, the project team still feels the necessity of learning about "real" consumers' concerns to break up the strong belief held by employees at the head office that environmental activities do not contribute to brand

improvement. It is the reason that we added the idea of using a cross-functional team (CFT) as the last measure. In our idea, employees in the departments in Company X participate in joint teams with the bottlers (CFT) to promote certain environmental projects. (Details about the CFT are explained later when this measure appears in the latter part as a solution for another issue.) Through the CFT experience, the project team expects employees at the head office, especially those in the marketing department or managers, to change their awareness of environmental activities through increased contact with consumers or through knowing more about competitors' movement on environmental consideration. Many employees in the marketing department cannot help participating in CFTs, since most possible projects undertaken by CFTs are marketing related ones due to the division of roles in the current business model. Furthermore, the same things would also happen to managers in Company X because they are usually nominated to be leaders or sub-leaders of CFTs.

- **Solution 2**

Creating a performance evaluation for environmental activities that explains to employees the contribution of those activities to brand improvement

***Necessary Factors for the Solutions***

In creating the solutions here, the team pays attention to the two points, clarifying a causal linkage between strategic goal (brand improvement) and environmental activities, specifically, the activities at the department and individual levels, and allocating enough evaluation scores for environmental actions under the new scheme. Clarifying this linkage is fundamental for establishing this new performance evaluation or incentive scheme because the scheme itself aims to correct the misunderstanding among employees at the head office that there is no relationship between environmental activities and brand improvement. It also becomes crucial especially when the top managements or the DEA persuade the departments or employees at the head office to engage in environmental practices. As explained in chapters 1 and 5, the departments at the head office complained that they could not justify their time and cost spent for environmental activities under the EMS because there is no strategic goal and evaluation scheme for the activities. Therefore, if the link between brand improvement and environmental actions were officially approved, they would lose the foundation of their opposition to cooperate with the activities. Allocating enough evaluation scores for environmental activities in the new scheme is necessary to motivate the department and employees at the head office to engage in the EMS and environmental branding. If the

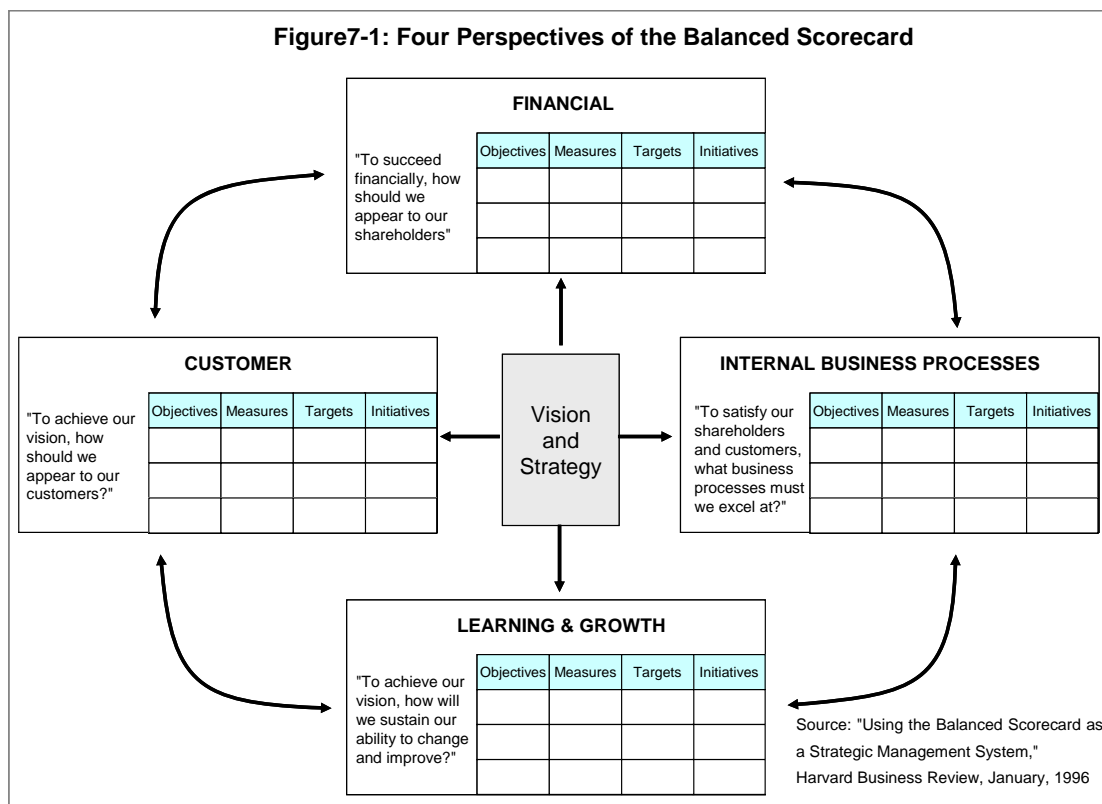
allocated score for environmental actions were too low, the new scheme could not motivate the departments at the head office to engage in environmental activities positively.

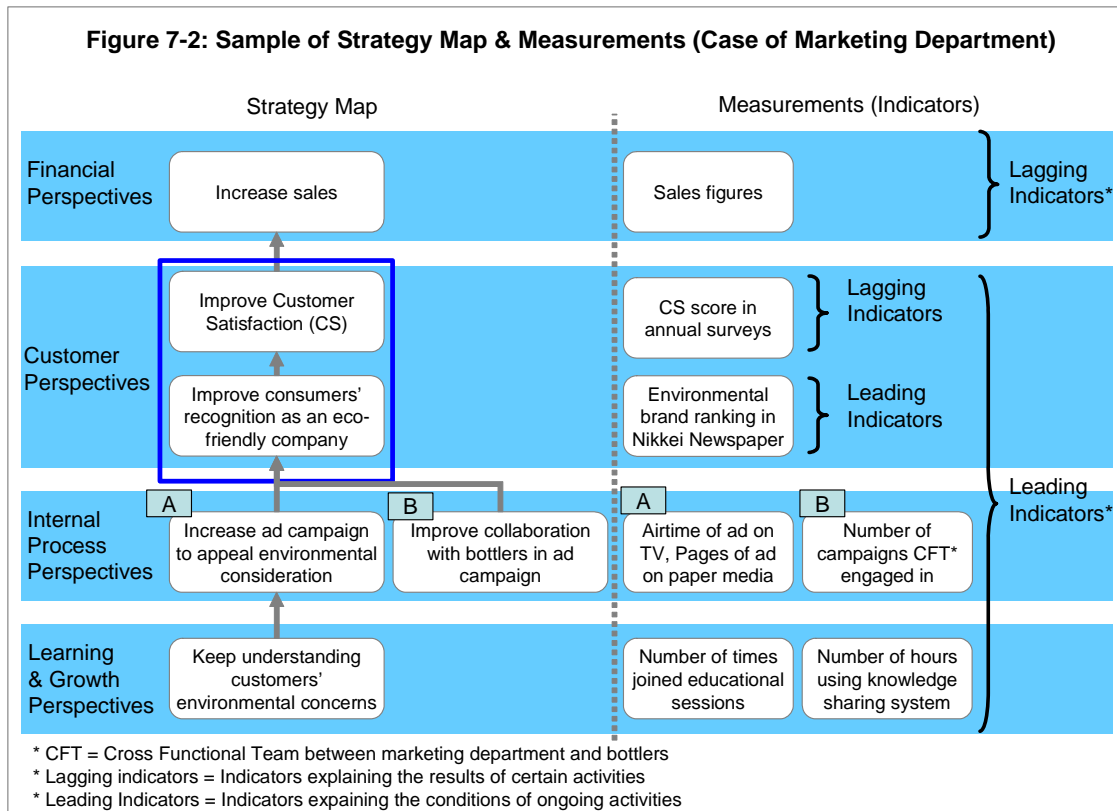
### ***Contents of the Solutions***

The project team recommends that the company create a new performance valuation scheme that applies a strategy map of the Balanced Scorecard (BSC) to explain a causal linkage between brand improvement and environmental activities, and allocate at least 10 percent of all evaluation scores for environmental activities. The strategy map is one of the tools used in the Balanced Scorecard (BSC), a performance and strategy management scheme developed by Kaplan and Norton (a Harvard professor and a business consultant) in the early 1990s. The BSC was originally developed to enable corporate executives to monitor the progress of corporate strategies by both financial and operational measures in balanced proportion, because placing too much emphasis on financial measures was a misguided corporate strategy of many U.S. firms and became one of the causes of their poor business results in the late 1980s. To give corporate executives more information on operational sides, three operational perspectives (customer, internal process, and learning and growth perspectives) are added to the traditional financial one under the performance measurement in the BSC (Figure 7-1). These three operational perspectives are structured to display the progress of ongoing, short-term operational activities toward achieving the long-term strategy (financial) goal. The rationale of the relationship among the four perspectives is very straightforward. For example, to achieve a certain financial goal (the financial perspective), managers need to decide a position to approach the customer (the customer perspective), to design or improve business processes to establish that position (the internal-process perspective), and to gain the ability to keep running these processes (the learning and growth perspective). In addition to the one at the corporate level, BSCs at the department or individual level are often created to help departments and employees in a company recognize how their activities contribute to achieving corporate strategies.

A “strategy map” is used in the BSC to visualize the links between the company’s long-term strategy goals (a financial perspective) and short-term activities (three operational perspectives). In accordance with the creation of BSCs at the department or individual level, strategy maps at the department or individual level are also created to facilitate the understanding of departments and employees in a company about the link between their activities and corporate strategies. The project team assumes that these strategy maps at the department or individual level can be applied to make departments and employees at the

head office understood how their environmental activities contribute to brand improvement. Indeed, our trial of making a sample strategy map for marketing department enables the team to confirm the applicability of this tool to achieve the purpose above because even our sample map can give a clear explanation about the link between environmental activities and brand improvement (Figure 7-2). It would be painstaking work for the DEA to create the strategy maps of environmental activities for all departments at the head office, and then to ask each department to create those for its employees. However, the project team is quite sure that the resulting strategy maps can be a powerful communication tool to disseminate an idea among departments and employees at the head office that environmental activities contribute to the improvement of brand image.





As for the allocation of the evaluation score, the project team concludes that at least 10 percent of overall evaluation scores should be allocated for environmental activities. Before deciding this percentage, the DEA staff of the team contacted their acquaintances who are on the staff of the environment division of other Japanese companies that already have an evaluation scheme for environmental activities. Our team member asked how they decided the percentage for the activities because all of those companies allocated 10 to 15 percent for environmental activities in their evaluation schemes. All answered that giving at least 10 percent is necessary to motivate the organization within the company to engage in environmental activities proactively. Our literature review of business papers and magazines articles on this topic also revealed that companies distributing more than 10 percent for environmental activities in their evaluation scheme are more likely to succeed in changing the environmental awareness of their employees.

Although expecting various opinions about the appropriateness of this percentage at the point of applying the scheme, the team believes that the findings through our research are durable enough to justify our recommendation.

## **II-ii. Solutions That Protect Company X's Brand Image**

- **Solution 1 and those to prevent possible issues**

1. Involve the departments at the head office in the EMS

### Solutions to prevent possible issues

- Establish a coordinating organization and agent deciding overall activities under the EMS

### ***Necessary Factors for the Solution***

The project team assumes that implementing solution 1 is not a big issue since the solutions involving the departments at the head office in the EMS, which plan to be implemented in advance, reduce the opposition of departments at the head office to accepting the EMS. Thus, the team focused on possible issues at the timing of the EMS application that might obstruct environmental branding in the future, and came up with two points the solutions for possible issues should consider. The first point is creating a coordinating organization and agents for the EMS to control its action plan without being influenced by the departments at the head office. Although the new environmental learning and evaluation scheme reduces such resistance, the project team expects that there are still some departments that are not enthusiastic about the EMS and environmental branding. It is possible that those departments might somehow avoid cooperating with environmental branding if they have control over EMS action plans. The second point is applying the EMS to Company X in a way to authorize the DEA to control EMS details as an inevitable consequence. As pointed out in chapter 2, each department in the company can be authorized to decide EMS details depending on the method of applying it because of the decentralized management culture of Company X. In this case, similar to the case above, there might be some departments trying to avoid supporting environmental branding by excluding activities associated with it.

### ***Content of the Solutions***

Considering the two possible issues at the timing of applying the EMS, the project team recommends that Company X establish a completely "new" EMS that involves the whole supply-chain and create a cross-divisional organization to control EMS details and a agent who support the management of a coordinating organization. The new EMS does not mean expanding the EMS into the departments in Company X that currently have no such system, but means creating a whole new EMS from the beginning covering all departments in Company X and its bottlers by discarding current systems used by the bottlers. In the case of

establishing the new system covering the whole supply-chain, not each department at the head office, but a cross-divisional organization for the EMS, which is managed by the DEA, is authorized by the president of the company to decide action plans, goals, and controlling methods of overall system as the competitors of Company X do. This allows the DEA to facilitate environmental branding by influencing the action plan of the overall EMS as long as it has enough authority and measures to do so. On the contrary, in case of the expansion of the EMS, it is highly possible that the departments at the head office, which establish the EMS in their sites, are authorized to design the details of the EMS. In this case, it is possible that some departments in the head office will refuse to cooperate with environmental branding by saying that its EMS does not involve the action to do so.

- **Solution 2 and those for preventing possible issues**

2. Begin environmental branding

Solutions to preventing possible issues

- Apply a cross-functional team (CFT) scheme for collaboration between the departments at the head office and the bottlers

***Necessary Factors for the Solutions***

Similar to those for solution 1, the project team assumes that implementing solution 2 is also not a big issue since the solutions involving the departments at the head office in the EMS, which plan to be implemented in advance, reduce the opposition of departments at the head office to accept the EMS. Therefore, the team concentrated on possible issues at the start of environmental branding, and came up with one factor the solutions should include. The factor is to provide some methods enabling the departments at the head office and the bottlers of Company X to cooperate without being influenced by organizational separation due to the bottler system. As recommended in chapter 6, sharing their information, resources, and expertise between the departments at the head office and the bottlers is indispensable for effective environmental branding. However, their cooperation should be achieved without transforming the bottler system, which the DEA and the project team treat as “beyond the scope of this project.”

***Content of the Solutions***

The project team proposes using a cross-functional team (CFT) as the scheme for collaboration between the departments in the head office and the bottlers. A CFT is a

temporary group of people with different functional expertise, usually those from various departments in a company, which works for a certain project. A CFT is not necessary for transforming existing organizational structure, and is able to be set up or closed at any time by the decision of the executive management of the company. Because of dealing with “cross-divisional” themes, CFT is not managed by a specific executive or department, but managed directly by the president of the company or one of the top executives, who is nominated by the president to take charge of the project. The project theme the CFT deals with is also given by those who manage the CFT. The project team considers that these features of the CFT are very appropriate for the solution here. At first, the CFT can offer a cross-functional scheme without changing the bottler system. The president of Company X, or an executive nominated by the president, can decide to set up a CFT at any time without asking permission from departments at the head office and the bottlers each time once they agree with the scheme. Secondly, the president of Company X, or an executive nominated by the president, can decide the project theme for the CFT and manage the project without being influenced by the intention of departments at the head office that are not supportive of collaborating with bottlers. Fortunately, the current president of the company and the executive who is considered his successor support environmental activities. The project team estimates that the DEA can persuade them not only to use a CFT from the early stage of the group-wide EMS but also to select environmental branding as project themes, overriding resistance by the marketing departments.

### **II-iii. Order and Feasibility of Implementing the Proposed Solutions**

- **Order of Implementing the Proposed Solutions**

As seen in the order of explaining solutions, it is evident that the solutions involving the departments at the head office in the EMS are implemented first because those that protect Company X’s brand image are premised on the condition the former ones provide. Among the solutions involving the departments at the head office in the EMS, the solutions for providing educational programs to employees at the head office should be implemented before those to make the new performance evaluation, because the former ones can soften resistance from departments at the head office against the latter solutions. The team and Human Resources department estimate that it takes at least half a year to make employees at the head office familiar with the environmental information provided by the environmental learning programs. As for the new performance evaluation scheme, it should be known to all departments and employees at the head office before the start of the new EMS to allow

executive management or the DEA to justify the participation of the departments at the head office. However, both the new evaluation scheme and the new EMS have to be started simultaneously at the beginning of the fiscal year to match up with the management cycle of other strategic activities. A CFT should also be started in accordance with the new EMS because there are already some themes the CFT immediately deal with such as environmental branding.

- **Feasibility of Implementing the Proposed Solutions**

It is easy for the DEA to begin the solutions to provide environmental education through four measures. They can be done by the DEA itself or together with some other departments that are generally supportive of environmental activities, and with relatively small financial and human resources. On the contrary, the solutions for transforming the performance evaluation scheme are the toughest ones to be carried out. The project team expects a certain level of opposition to the solutions from the departments at the head office that are not open to integrating environmental aspects into performance evaluation, even after they are exposed to the information about increasing consumers' environmental concerns through the new environmental education program. However, the current president of Company X and the executive who is considered his successor are relatively supportive of environmental activities. Thus, it is highly possible for the DEA to gain support from executive management to overcome such opposition from the departments. The other solutions would be more promising to be executed after a new performance evaluation scheme is established, because the new scheme rationalizes the engagement of the departments at the head office in both the new EMS covering the whole supply-chain and a CFT.

#### **II-iv. Requirements for Implementing the Solutions**

- **Requirements for Implementing the Solutions**

After listing the solutions, the project team spent some time considering what conditions are required for the company or executive management through all stages of putting solutions into practice. In addition to our own thoughts, the team also referred to comments from interviews with employees from various departments (in chapter 6). Through two processes, the team reached a conclusion that there are at least three requirements here, "exercising strong leadership of top management," "providing powerful coordination for all related activities," and "engaging in the long term." As a whole, strong leadership by executive

management is indispensable not only to override possible opposition by the departments at the head office to our solutions but also to persuade the departments to cooperate. As seen in the explanation of our solutions, there is always a risk that those solutions would face the opposition or reluctance of the departments in Company X depending on their environmental awareness.

At the operational level, the existence of a powerful coordinator, the DEA in this case, is critical to make the solutions workable. Almost all solutions proposed by the project team require the DEA to collaborate with other departments in Company X or its bottlers controlling the operations or schemes the solutions would change. Thus, in addition to authorities it is given as an agent for the EMS, the DEA should have excellent planning and negotiating ability to drive those organizations to work together to achieve a project goal.

Concerning the time frame, the company should engage in environmental activities the solutions suggest in the long term to confirm their effect. It always take a certain amount of time to realize the benefits of the EMS or environmental activities, because these activities always entail improving employees' environmental awareness at first before generating positive effects. Long-term engagement in the activities is also important to protect its environmental brand image because canceling them in the short-term would lead consumers to question the company's commitment to environmental consideration.

### **III. Conclusion**

Through the implementation of the project, the project team has suggested a series of solutions to resolve the issues that prevent Company X from improving its environmental brand image. Company X had reconciled itself to a lower valuation by consumers in its environmental consideration than its competitors partly because its EMS lacks supply-chain efforts to reduce its environmental impact, and partly because the company does not advertise its environmental consideration to consumers. Initially, the DEA believed that applying the EMS at the head office could drive whole organizations of Company X to work to improve the environmental brand image of the company at the end. However, our analysis of the EMS leaves a question that only applying the EMS to Company X is insufficient to reach the goal the DEA wants to achieve. Later research on both Company X and its employees proved the validity of our question by revealing that there are many institutional and psychological barriers within the company that prevent it from engaging in the EMS and environmental branding.

The solutions the team suggests not only involve actions against all those barriers but also consider the order, feasibility, and requirements of implementing the solutions to make them effective as much as possible. The project team believes that the DEA is able to use these solutions to change employees' environmental awareness at the head office, and to keep motivating them to engage in the EMS and environmental branding until Company X can establish a sound reputation with consumers in the field of environmental consideration

## **Chapter 8 Current Situation and Future Challenges**

### **I. Consumers since 2005**

#### **I-i. Consumers' Environmental Awareness**

- **Maintenance of High Environmental Awareness**

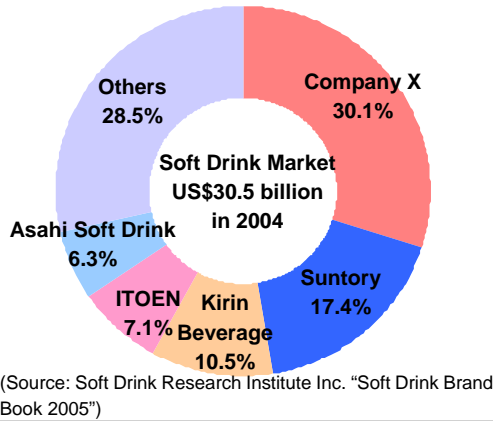
Although there has been no government research on consumers' environmental awareness in Japan, some studies conducted by private and public institutions since 2004 still show that consumers in Japan retain their strong concern about environmental issues because of the increasing frequency of extreme weather and media attention on climate change. Many Japanese companies maintain their concern about such consumer awareness and have increased advertisements that tout the companies' environmental awareness in terms of their products and services. These companies continue to pay a lot of attention to their ranking in the "Corporate Environmental Brand Ranking" conducted by the Nikkei Business Newspaper introduced in chapter 3.

#### **I-ii. Soft Drink Market and Environmental Branding**

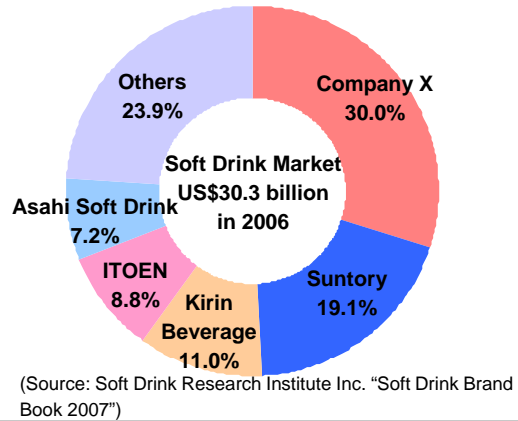
- **Soft Drink Market**

Since 2004, the Japanese soft drink market has suffered from stagnation because of the declining population and more diversified preference in drinks among consumers. This stagnation has resulted in no big change in the market size and share by each company since 2004 (Figures 8-1 and 8-2). The market size has shrunk a little, from US\$30.5 billion in 2004 to US\$30.3 billion in 2006 (based on the same exchange rate). In terms of market share by company, the range of change in percentage in this period is a 1- to 2-percent increase or decrease among all major soft drink companies.

**Figure 8-1: Japanese Soft Drink Market Share by Company (2004)**



**Figure 8-2: Japanese Soft Drink Market Share by Company (2006)**



- **Environmental Branding**

During this period, almost all companies in the soft drink industry faced difficulty in creating successful products in this stingy market and focused on protecting existing product lines. The companies paid more attention to improving their brand image for consumers, especially improving their environmental brand images for consumers due to Japanese consumers' continued concern about environmental issues. In 2006, three top companies, Company X, Suntory, and Kirin Beverage, increased their budgets for environmental branding and then produced big advertising campaigns to announce their environmental awareness (Table 8-1). This campaign contributed to the big elevation in their rankings in the Nikkei's Corporate Environmental Brand Ranking in 2006.

Although the soft drink market in Japan continued to stagnate in 2007, these three companies took different steps toward environmental branding. Suntory kept investing the same amount of money for environmental advertising, although the company's eco-brand ranking in the Nikkei went down a little in 2007. Although Kirin Beverage stressed environmental branding, the company decreased its budget for environmental advertising intentionally because Kirin Brewery, its parent company, started to take the initiative to announce its group-wide environmental awareness. Company X also decreased its budget for environmental branding; however, different from Kirin Beverage, Company X did so mainly because of the institutional problems explained in a later paragraph.

**Table 8-1: Nikkei Eco Brand Ranking (Top 10 and Soft Drink Companies) from 2005 - 2007**

Year 2005			Year 2006			Year 2007		
Rank	Company Name	Sector	Rank	Company Name	Sector	Rank	Company Name	Sector
1	Toyota Mortor	Automobile	1	Toyota Mortor	Automobile	1	Toyota Mortor	Automobile
2	Nissan Mortor	Automobile	2	Honda Mortor	Automobile	2	Honda Mortor	Automobile
2	Honda Mortor	Automobile	3	Matsushita Electronic	Consumer Electronics	3	Eon	Retail
4	Matsushita Electronic	Consumer Electronics	4	Kirin Brewery	Brewing	4	Sharp	Consumer Electronics
5	Sharp	Consumer Electronics	5	<b>Suntory</b>	<b>Soft Drink &amp; Brewing</b>	5	Asahi Brewery	Brewing
6	Kirin Brewery	Brewing	6	Eon	Retail	6	Kirin Brewery	Brewing
7	Asahi Brewery	Brewing	7	Canon	Consumer Electronics	7	Nissan Mortor	Automobile
8	Eon	Retail	8	Nissan Mortor	Automobile	8	<b>Suntory</b>	<b>Soft Drink &amp; Brewing</b>
8	Hitachi	Consumer Electronics	9	Asahi Brewery	Brewing	9	Matsushita Electronic	Consumer Electronics
10	Matsushita Electric Wor	Consumer Electronics	10	Sharp	Consumer Electronics	10	Matsushita Electric Wor	Consumer Electronics
⋮			⋮			⋮		
12	<b>Suntory</b>	(Soft Drink & Brewing)	15	<b>Kirin Beverage</b>	Soft Drink	25	<b>Kirin Beverage</b>	Soft Drink
36	<b>Kirin Beverage</b>	(Soft Drink)	29	<b>Company X</b>	Soft Drink	44	<b>Company X</b>	Soft Drink
41	<b>Company X</b>	(Soft Drink)						

(Source: "Eco Brand Ranking 2005-2007", Nikkei Business Publications, Inc. )

## II. Competitors since 2005

### II-i. Suntory

- **Environmental Management**

Since 2005, Suntory has focused on expanding its EMS and raising environmental awareness among employees to upgrade overall environmental activities.

Suntory expanded its EMS to domestic and foreign group companies because the company had already finished establishing an EMS at all production sites and simplified the EMS based on ISO 14001 at all non-production sites. In 2006, Suntory switched its simplified EMS at non-production sites to an "official" EMS, ISO 14001, which forces its non-production divisions, especially the head office and R&D division, to involve their operations in an EMS. To increase environmental awareness, Suntory reorganized its environmental educational programs for employees and mandated that all employees, depending on their responsibilities and positions, must take the programs at least a certain number of hours in a year. Then, Suntory added "environmental management" as a subject for promotion examinations to motivate employees to learn more about environmental management. These movements in both EMS and environmental education successfully changed the operations at non-production sites into more environmentally responsible ones, and improved the performance of the EMS since 2005 by achieving all targets set by the EMS annual plans.

- **Environmental Branding**

Although Suntory enjoys an advantage over its competitors, the company has continued to improve its environmental communication to consumers since 2005. In addition to the company's TV commercial, magazine, and newspaper ads, Suntory diversified its communication channels to other measures such as dialogues with stakeholders and business exhibitions. It held dialogues with consumers and other stakeholders 16 times in 2006 and exchanged opinions with 1,056 participants about its environmental awareness. Suntory also made efforts to improve the quality of the company's corporate CSR report and received a CSR report award from business magazines and the Japanese Ministry of the Environment for four consecutive years, from 2004 to 2007. Thanks to the company's continuous improvement in environmental branding, Suntory maintains a higher ranking in the Nikkei corporate environmental brand survey than its competitors.

## **II-ii. Kirin Beverage**

- **Environmental Management**

In 2004, Kirin Beverage set up a mid-term environmental management plan for next three years and committed to achieving three targets, expanding the EMS to functional departments and all domestic group companies, sending zero waste to landfills from its production sites through recycling, and expanding the lightest PET bottle to all product categories. Among three targets, Kirin Beverage attained the third target, applying its lightest PET bottle to all product categories, in 2006. This enabled the company to reduce its PET usage, 3,500 tons in 2005 and 4,500 tons in 2006, and to reduce CO<sub>2</sub> emissions, 1,500 tons in 2005 and 2,882 tons in 2006, compared with using the normal PET bottle. Similar to Suntory, Kirin Beverage also decided to apply ISO 14001 to its head office in 2007 to green the operations of functional departments. The company also emphasized increasing environmental awareness among employees because such awareness links with higher performance of the EMS based on the experience of its parent company, Kirin Brewery, which is more advanced in EMS.

- **Environmental Branding**

As introduced in chapter 4, Kirin Beverage selected the lightest PET bottle and its high

recyclability as an appealing point of the company's environmental awareness campaign and began to advertise it in 2004. The company continued to advertise this point to consumers because Kirin Beverage observed a good reputation among consumers as a result of the company's campaign in 2004. In a 2005 advertising campaign, Kirin Beverage advertised its environmental awareness through original characters and a famous actress in TV commercials and store promotions. This campaign proved a great success not only by improving its environmental brand ranking from 2005 to 2006 but also by increasing the sales of products that used the lightest PET bottle by 2 to 3 percent in both 2005 and 2006 in a tight market.

### **III. Company X since 2005**

#### **III-i. Progress since 2005 and Current Issues**

- **Environmental Management**

In 2005, the top management at Company X decided to apply an EMS to all functional departments at the head office to remove its drawback in environmental management against competitors. The company believed that it had improved its brand image with consumers regarding increasing environmental concerns. However, ignoring the project team's recommendations, the top management applied the EMS to the head office in a way that allowed the departments at the head office to design and control their own EMS. They chose this way of applying an EMS to reduce the opposition from those departments to an EMS because the company put priority on expanding the range of the EMS as soon as possible to catch up with the range of EMS in competitors. Consequently, almost all departments at headquarters did not involve their core operations in their EMS, but involved simple activities such as reducing water and energy usage, and waste generation at their offices, because they did not understand that excluding the core operation from the EMS decreases the chance of advertising the company's achievements under its EMS, which are often created by greening the core operation.

- **Environmental Branding**

In 2005, Company X's rank in the Nikkei's corporate environmental brand survey decreased from 23 to 41 because there was no progress in the company's environmental management after Company X started to apply an original EMS at its production sites in 2004. To improve

the company's rank and protect its brand image among consumers, Company X decided to remove its drawbacks in the field of environmental management and branding. At first, the company expanded its EMS to the functional departments at the head office as introduced in the previous paragraph.

Then, the company established the Division of Corporate Branding and Communications, which swallowed the DEA into one of its organizations, to promote environmental branding. This new division took responsibility for marketing "the company" itself to improve its brand image. The division selected three communication themes, corporate value, corporate strategy, and corporate social responsibility (CSR), which included environmental consideration, and began the communication campaign of these themes.

Concerning the theme of CSR, in August 2005, the division posted an advertisement in 40 national and local newspapers and announced to consumers that Company X wanted to hear their voices about its CSR directly to reflect them on its CSR commitment the following year. The division director noticed the importance of hearing consumer voices to develop effective environmental branding strategies, because he was the one of our interviewers in chapter 6. The division collected more than 10,000 opinions from consumers through this advertisement and made each department read the opinions related to its responsibility and develop its own commitments to reflect such opinions.

In January 2006, the division summarized these commitments from each department into 10 commitments (six out of 10 are related to environmental consideration), and posted them as "10 Commitments of Company X to Consumers" in 40 national and local newspapers. This campaign successfully created the impression that Company X finally became as serious about environmental awareness as its competitors, and improved its position from 41 to 29 in the Nikkei's environmental brand ranking.

Contrary to the progress made in 2005, Company X's environmental branding grew stagnant in 2006. The company could not find a good topic in environmental management since the EMS at the head office did not create any outstanding achievement, contrary to expectations. The company also did not retain the environmental awareness of employees at the head office, which had been raised by the advertising campaign in 2005, because the company did not set up measures to hear consumer voices continuously without being influenced by the bottler system or the goals and evaluation scheme for environmental activities, the solutions the project team had recommended. To make matters worse, the U.S. parent company changed the president of Company X and restructured its organization to focus more on improving its sales and profit in the tight market. The new president put higher priority on product branding to increase sales than corporate branding, including environmental

branding. From 2006 to 2007, Company X dramatically reduced its budget for corporate branding and allocated more money to product branding. Moreover, the Division of Corporate Branding and Communications, which had achieved great success in environmental branding in 2005, was disbanded and downgraded into one of the departments in the Public Relations Division, called the Department of Social, Environmental Brand Asset.

### **III-ii. Analysis of Current Issues in Company X**

- **Causes of Current Issues**

The project team members of the former DEA and I analyzed whether the current issues in environmental management and branding are caused by Company X's failure to apply the solutions to involve the departments at the head office, as we suggested: setting up an educational program for employees at the head office to learn about consumers' environmental concerns and the positive effects of environmental activities on business and creating a new performance evaluation scheme for environmental activities. As pointed out in chapter 6, the employees at the head office have almost no chance to learn consumers' environmental concerns directly under the current bottler system and misunderstand environmental activities as non-productive under the corporate culture of respecting product branding. Furthermore, the lack of strategic goals and a performance evaluation system for environmental activities prevents the departments at the head office from justifying their engagement in environmental activities. Thus, it was not surprising that most of the departments at the head office did not involve their core operations in the EMS, and that they did not oppose the budget cuts for environmental branding and the downgrading of the organization promoting it. The departments still believe that environmental activities are not very important for the brand image of the company.

From the viewpoint of the solutions we suggested, there are still issues in environmental management and branding, such as allowing each department to control its own EMS and promoting environmental branding without cooperating with the bottlers through CFT. However, the project team members of the former DEA and I think that these are less critical issues than missing educational programs and evaluation schemes, because they can be resolved if the departments at the head office understand the importance of environmental activities and branding.

## **IV. Future Challenges for Company X**

- **Action Assignments**

All the former project team members estimate that environmental branding at Company X will scale down more or fade out during the course of the next few years if nothing is done. We believe that there are three actions for Company X, specifically the Department of Social, Environmental Brand Asset (DSEBA), to avoid this worst-case scenario.

First, as we suggested in our solutions, the department should enhance the understanding among top management, managers, and employees at the head office about the positive influence of environmental activities on consumers through environmental education or other media. Without improvement in their understanding, it is almost impossible to improve the EMS at the head office, and to revitalize environmental branding at a later stage.

Fortunately, it is not difficult for the DSEBA to carry out this because this department is responsible for disseminating environmental information internally to raise the environmental awareness of the employees at the head office. It is also desirable if the DSEBA can educate the U.S. parent company about the importance of environmental branding by explaining the growing environmental concerns among Japanese consumers.

As the next step, the DSEBA should work on the departments at the head office to include their core operations in the EMS. As explained in the previous paragraph, it is necessary to increase the chance of creating achievements under an EMS, in other words, the topics for environmental branding, which are now severely in short supply. If the DSEBA successfully advertised such achievements, it would become a more powerful way to make people at the head office understand the significance of environmental branding for the overall brand improvement of the company. However, it is not easy for a small department such as the DSEBA to persuade the larger departments at the head office unless they are concerned enough about environmental branding through the first action.

Finally, the department should persuade the top management to establish a corporate goal and performance evaluation scheme for environmental activities. As mentioned in chapter 7, these two things are necessary for the departments and employees at the head office to rationalize their voluntary and long-term engagement in environmental activities. Moreover, clarifying the goal might be helpful for long-term engagement because doing so would explain

the meaning of environmental activities and branding to the top management even if they are changed. Compared with the previous action, it is more difficult for the DSEBA to do so under the current business conditions and the intention of the U.S. parent company. However, without completing this action, environmental branding at Company X cannot develop solid recognition within Company X as the important branding method to consumers, and the company will face the same issue in the future again.

## **V. Conclusion**

The importance of environmental branding for Japanese companies has not changed since 2004, because Japanese consumers are still very concerned about environmental issues. Two major competitors of Company X, Suntory and Kirin Beverage, have kept their concerns about such consumers' environmental awareness and made solid progress in their environmental management and branding since 2004. On the other hand, Company X has not made any progress in its environmental management and branding since 2006, although the company had a successful environmental branding campaign in 2005. It was very unfortunate for Company X that it had to go through a sudden change of its top management and organizational structure before the company understood and applied the solutions the project team provided. The project team members of the former DEA and I strongly hope that the new department, the DSEBA, will successfully carry out the three actions we suggested and turn environmental branding at Company X into a longstanding, indispensable operation.

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