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Sumitomo Chemicals in Japan and Africa:

Differences between active-transformational and passive-transactional CSR initiatives

Katlin Aarma

ABSTRACT

The Olyset Net is a revolutionary malaria preventative bed net. Its fibers are tear-resistant, fast-trying, and porous on the inside as they are filled with mosquito repellent. Its slow-release of the repellent enables it to last for five years upon installation, and was the first of its kind to be created. Sumitomo Chemical, the Japanese firm behind the technology, could have reaped the rewards is placing a high dollar patent on the product and sold the net themselves to the malaria stricken countries. Instead they invested in the local Tanzanian economy by providing the Olyset technology royalty-free to A to Z Textile Mills in 2003. Two years later, their partnership turned into a 50:50 joint venture under "Vector Health International", building a R&D research facility while A to Z Textiles runs production in two factories in Arusha and Kisongo. Sumitomo Chemical enabled a positive economic impact in these communities resulting in an increase overall production for A to Z Textiles and creating an additional 8,000 job opportunities for Tanzanians. Sumitomo Chemical also has provided various support initiatives for those affected by the "Great East Japan Earthquake", supporting the reconstruction of various Japanese communities affected. This case demonstrates the difference between two Corporate Social Responsibility strategies (active-transformational and passive-transactional initiatives) by presenting two different examples of Sumitomo Chemical's CSR initiatives. Furthermore Sumitomo Chemical's CSR structure will be compared to the foundations of the Japanese CSR.

INTRODUCTION TO SUMITOMO CHEMICAL

Sumitomo Corporation: the Parent Company

Sumitomo Chemical is under the parent company Sumitomo Corporation. Sumitomo Corporation's origins date all the way back to the Edo Period, at the time when its founder Masatomo Sumitomo (1585-1652) in the 17th century had opened a medicine and book shop in Kyoto. The concept of proper business etiquette was present in Sumitomo from the beginning, as he wrote the "Founder's Precepts" describing the importance of developing trust with all stakeholders, and focused on conducting business with honesty, prudence, and sound management as oppose to profit-maximization. During the Edo Period (1603-1868) Japan was one of the leading producers of copper in the world. Masatomo's extended family member, Tomomochi Sumitomo (1607-1662) had opened the "Besshi Cooper Mines" in 1971, and expanding as a lead trader in thread, textiles, sugar and medicine. This was the backbone of Sumitomo's business, as they continued operations for 283 years. Masatomo's philosophies were congruent in all of Sumitomo's future business actions. As Sumitomo survived through the Meiji Restoration, First and Second World War, they gained significant market share and affluence in various sectors of business that they are known for today. Their areas of expertise and product lines include: Metal Products, Transpiration, Contraction, Environment, Media, Network, Lifestyle Related Goods and Services, Mineral Resources, Energy, Chemical and Electronics.

Sumitomo Chemical

Sumitomo Chemicals was established in 1913 in order to manufacture fertilizers from the sulfur dioxide emitted from the operations at the Besshi Copper mine. At the time, the goal was to reduce the environmental impact that the emissions had caused. It is now a multi-national corporation, with a total net income of 52.2 Billion Japanese Yen and a combined total asset worth of 2,880.4 billion Japanese Yen for the most recent fiscal period March, 2015 (financial statements can be viewed in Exhibit 1#). They currently have 31,039 employees as well as over 100 subsidiaries and affiliates, specializing in hybrid chemistries, such as plastics technology and insecticide manufacturing (Sumitomo Chemicals, 2015). They focus on producing innovative technologies that create sustainable developments that ultimately help solve environmental and social problems, locally and internationally (Jennings, 2011).

A to Z Textile Mills Ltd.

A to Z Textile Mills Ltd., was founded in 1966, Arusha, Tanzania by the Shah family. They began operating as a small garment manufacturer, moving into the manufacturing of polyester bed nets in 1978. It is now one of the largest vertically integrated plants in East Africa, with their product lines including Bed Nets, Garments, Mineral Water Plastics, Polypropylene Woven Bags, Specialty Mesh, Agriculture & Horticulture and Value-Addition Services. The company has had a long-standing presence in the textile and plastic industry for decades, but they attribute their international recognition to the manufacturing of Olyset Net's. A to Z runs two factory plants, "A to Z Unga Ltd Area Factory", located in Arusha and "A to Z Kisongo Area Factory" located in the neighbouring village of Kisongo, for the production of their products.

A to Z Textile Mills Ltd **h**as focused on conducting business in a socially reliable manner, in order to positive impact to customers by increased accessibility to vector control and public health solutions. By striving for the lowest time-to-market, they have established progressive, long-term partnerships with suppliers, such as Sumitomo Chemicals in order to source the raw materials to maintain a timely network distribution of their products. The relationship between the two requires a fair amount of trust, as Sumitomo Chemicals is dependent on A to Z to manufacture and distribute the product, while A to Z requires the raw materials four months in advance to deliver the products in a timely manner. For their employees they aim to attract and retain productive employees by fostering positive moral, encouraging innovation and creativity and treating one another with respect and honesty.

A Partnership is Formed: Vector Health International

The beginnings of the partnership between A to Z Textile and Sumitomo Chemical began in September, 2003, when Sumitomo Chemicals provided A to Z Textile Mills Ltd with a royalty-free technology transfer of the Olyset Net. In 2005, the 50:50 joint venture legal entity Vector Health International was formed between the two companies. The production of the Olyset Net's was then transferred to A to Z Textile Mills. Vector Health International is the link between the two companies for informational transfer. In 2012, Vector Health built a state of the art R&D facility, Africa Technical Research Centre (ATRC), in Kisongo. ATRC aims to improve the livelihoods and quality of life by improving and developing innovative products. The centre is broken up into four parts: Vector Biology, Agronomy, Analytical Chemistry, and Molecular Biology. They test the efficacy of the agricultural pest and vector control products (including the Olyset), as well as conducting chemicals analysis for further products (full press release can be found in Exhibit 2#).

The Product: Olyset® Net

Before Olyset, the only types of bed nets available in the prevention of malaria were the "coated" polyester nets, where the insecticide is applied directly on the outside of the net and regular polyester nets, which require regular six month re-treatment of the insecticides from the user. Coated nets last a total of three years, as over time with repeated washing and use, the concentration of the repellent lessens.

The technology behind the Olyset Net was created by Sumitomo in 1978, and was meant to create a long-lasting insecticidal affect so the users would not have to regularly treat their bed nets with insecticides. The insecticide used to treat the Olyset Net is permethrin, and is actually put inside the fibers of the bed net itself, therefore no reapplication of insecticide is needed on the outside of the fibers. Since the fibers of the Olyset Net are a blend of polyethylene (flexible plastic) and permethrin, the result is a regular dispersion and continual supply of the repellent for five years. This classifies the Olyset Net as a "Long Lasting Insecticidal Net" or more commonly referred to as LLIN. Even as the top layer of the Olyset Net is worn through wash and wear, the insecticide surfaces from the inside of the filaments in order to maintain a controlled, steady dispersion. The plastic fiber itself is very durable, resistant to tears and dries more quickly than its polyester counterparts.

The effectiveness and convenience the Olyset Net did not go unnoticed. The World Health Organization approved it's usage to combat malaria in October 2001. It was the first of three LLIN's to have a full WHO recommendation, passing the four tests to ensure efficacy and longevity. (Jennings, 2011) To date WHO has approved a number of technologies from specific LLIN manufactures.

The main suppliers and brands of LLINs are:

- BASF (Interceptor®)
- Bestnet Europe (Netprotector®)
- Clarke Mosquito (DuraNet®)
- Sumitomo Chemical (Olyset®)
- Tana Netting (DawaPlus®)
- Vestergaard (Permanet®)

Olyset, DuraNet and Netprotect are the polyethylene varieties. The others, Permanet, DawaPlus and Interceptor are polyester based. (USAID, 2007) Of all the LLIN manufacturers, Olyset to date is the only manufacturer operated and located in Africa.

BACKGROUND OF THE AFRICAN MARKET

Overview of Malaria in Tanzania

Malaria in Tanzania is a widespread pandemic. With a total of 43.2 million habitants at risk, 14-18 million episodes of malaria are recorded annually and 120,000 deaths occur annually in Tanzania, making it the largest disease related burden for the government. Studies have estimated that 39% of the total health expenditure of Tanzania and approximately $12 billion US annually from the GDP is devoted to fighting the disease (Jowett & Miller, 2005). Furthermore, more than half of the deaths of children under the age of five are caused by Malaria, according to Tanzania's Ministry of Health (Kaufman, Rweyemamu, Koenker, & Macha, 2012).

Historically, Malaria in the 20th century had seen a decline from 1990-1970 from 223 to 107 per 100,000 people of malaria caused deaths occurring. However, the genetic mutation of the malaria parasite, Plasmodium Falciparum, made it resistant to anti-malaria drugs in 1970. Since then, the deaths have risen to 165 per 100,000 people, reversing over 30 years of progress that had been made (Refer to Exhibit 3#, Chart) (Jowett & Miller, 2005).

Currently there are three main malaria prevention tools used in Tanzania:

1. Indoor residual spraying (IRS)
2. Anti-malaria drugs
3. Bed nets (Regular or Long Lasting Insecticide Nets LLNIs)

As mentioned above, the Olyset Net falls into the third "Bed net" category as a LLNI.

Financial Costs of Malaria

The funding for combating Malaria in Tanzania is comprehensive, as there are three main sources of malaria-related invention expenditures:

1. The Tanzanian Government (Ministry of Finance, MoF and Ministry of Health, MoH)
2. Donor Organizations (non-governmental, multilateral and bilateral)
3. Households

In 1998/99 it was estimated that the majority of malaria spending is from households at 71%, the Tanzanian Government at 20% and the remaining 9% is donor funding. The largest expenses were bed nets (46%) and anti-malarial drugs (33%) (Refer to Exhibit 3#, Figure) (Jowett & Miller, 2005).

Households

At the individual level, it is estimated the cost of fighting malaria for a working adult is between one and five days of work at an average of $15.5US per household (6% of annual income). This does not include the variability of the distance and fee transportation to closest health facilities as well as taking care of younger ones who fall ill. (Kaufman, Rweyemamu, Koenker, & Macha, 2012).

The Tanzanian Government

In terms of the government, cost efficiency is the priority for the majority of malaria control interventions, as it is estimated they cost less than $100/ DALY averted.[1] (Hanson, 2004). Furthermore, of the 20% contribution to the total malaria control expenditures, the majority are in-kind form as opposed to cash. (Alidina, et al., 2015) This makes it very difficult for the local infrastructures, and businesses to be able to depend on their government for support in the battle. There are also large information gaps in the system that lead to inefficiencies. For example, up to $10 million dollars was spent annually treating all fevers as if it were malaria, when in reality it was around half (Jowett & Miller, 2005). The reality is that companies cannot rely solely on the government, as they do not provide adequate support for business development in Tanzania.

Donor Funding

Donor funding from any non-governmental enterprise, multilateral (unrestricted funds that are wholly or partially developmental or humanitarian in their mission), or bilateral (funds given to a developing country government from other donor countries) also accounts for a portion of the funding spent on malaria

[1] The Disability-Adjusted Life-Year (DALY) is the primary metric used by WHO measuring the burden of morbidity (non-fatal health concerns) into a single number.

prevention projects. A significant amount of the initiatives taking place in Tanzania to combat Malaria rely upon the funding of external donors to sustain their enterprises. (Alidina, et al., 2015)

Problems with Donor Procurement Policies

A to Z Textile's looks mainly to procurement policies for security of their assets. The ultimate goals of donor procurement policies are to achieve the greatest impact while doing so in the way that is most cost efficient way. Differing priorities such as accountability and transparency when receiving or giving funds and ensuring cost efficiency in delivering goods or service are the main areas they focus on promoting.

The Procurement policies in Tanzania currently in place do not prioritize sourcing locally-manufactured goods, as they encourage acquiring the most cost-efficient Free on Board[2] price and quickest delivery, leaving out A to Z Textiles, who is very close in proximity in the consumer market. Therefore major donors have had the tendency to gravitate towards products that are FOB versus delivery duty unpaid (DDU) or delivery duty paid (DDP) for product quotes. As a result, narrow guidelines have been drawn that do not address the broader developmental goals that projects such as A to Z Textiles' Olyset Net LLINs address, and therefore encourage cost-efficient production companies such as those in South-East Asia. (Jennings, 2011) These goals need to be prioritized and compensated for in order to build up the manufacturing capacity, which in turns builds the economic development, such as new infrastructure, education opportunities for the younger generations and generating more employment for Tanzania.

Is the Olyset Net Sustainable?

Questions remain as to whether "Olyset Net" will be sustainable for the future. Currently A to Z Textile's annual production capacity for the Olyset Net is 30 million. As it was the first on the market of its kind, the demand soared and Sumitomo Chemicals and A to Z Textiles experienced great success from 2005 onwards. As time has moved on, other competitors have been quick to adapt their product lines to match the Olyset Net and provide it at a lower cost.

Secondly, the concerns that the interests of the donor are price driven have implications for the futures of the employees of A to Z Textiles and Vector Health, ultimately putting the production of the Olyset Net at risk. The financial landscape for the African manufacturing companies is heavily dependent upon donor funding, as the Tanzanian government provides little to no support for these companies. Furthermore, this is compounded by the fact that the procurement policies in Tanzania favour the most cost-efficient FOB price, therefore leaving A to Z Textiles out and guiding donors towards lower priced products overseas.

As the Director of A to Z Textiles, Anuj Shah describes:

> *Donors are looking at the price. If the price is going to be cheap they are going to get the nets. The goal is "this is what we want. This is the programme, how many nets have been delivered, how much money has been given, have we reached our target?" But this is an African company, an African manufactured net. The problem is here in Africa ... I think the priority should be given here.*
>
> (Anuj Shah, as cited in Jennings, 2011, p.22)

[2] Where the seller is required to deliver goods on the buyer's designated vessel.

This feeds into the next problematic factor: the price of A to Z Textile's Olyset Net is higher than its South East Asian produced counterparts, solely because of the fact that production costs are higher in Tanzania due to the lack of infrastructure. The reality is donors may want the lowest cost price in order to purchase larger volumes in LLNI's to be able to help a larger number of malaria stricken communities. What is not realized is the significant positive impact that investing, or buying the products, of A to Z Textiles, or any ethical Tanzanian company, has on the its immediate surrounding community. For example, A to Z Textile was able to expand their production, employ more of Tanzanian citizens, and provide stable income for them to better their lives, due to the increase in the demand and profits received from their products.

DEFINING ACTIVE-TRANSFORMATIONAL VS PASSIVE TRANSACTIONAL CSR STRATEGIES

The two terms, transformational and transactional processes describe two approaches that corporations can take to meet the demands for greater socially responsibility within their company. Based on Professor Scott Davis of Rikkyo University's findings, these terms are dependent upon two factors:

1. Is the initiative for engagement: Active or Passive?
   Meaning what is the level of engagement the company is willing to invest into the CSR initiative.
2. Level of engagement: Transactional or Transformational?

Meaning the level of engagement the company has during the lifespan of the CSR initiative, ranging from transactional to transformational.

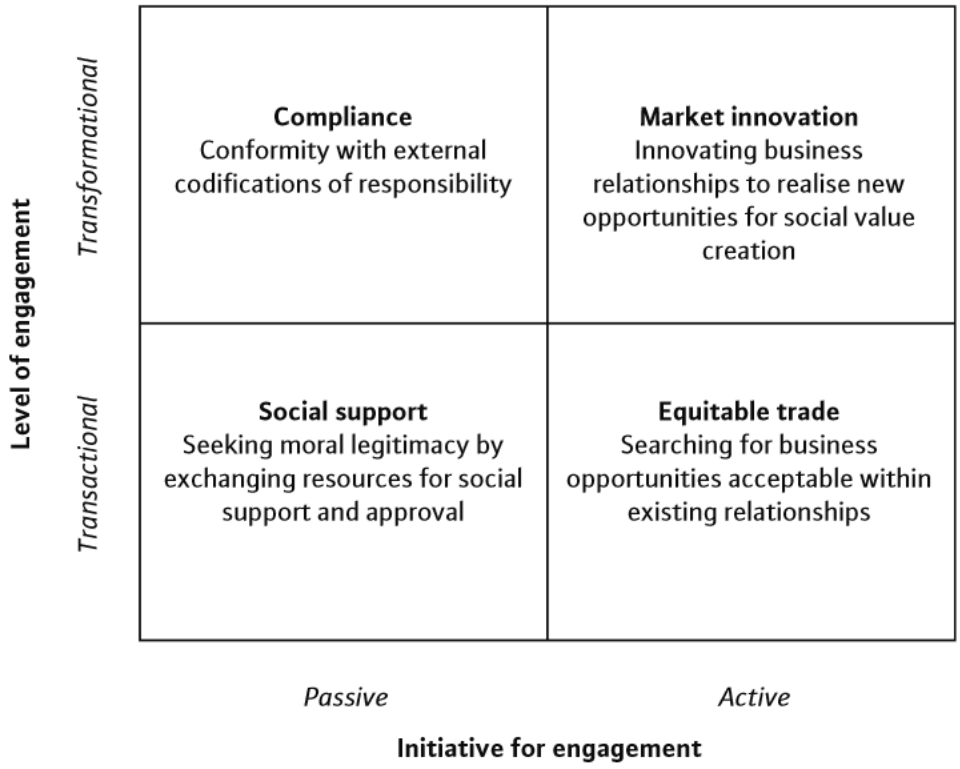

Figure 1: Davis' (2010) Matrix of the Active-Transformational and Passive-Transactional Processes.

Passive-Transactional

A passive-transactional process entails that the direction of the course of the CSR initiative is mainly decided by the other entity, therefore the company "passively" allows the other partner to assume control. Both entities, throughout the lifespan of the initiative both entities identities remain the same and are left unchanged. The cost of the initiative is seen as expenditure, in that they not expect to receive a potential gain but an (eventual) loss of the resources provided. (Davis, 2010) The goal is to achieve social support and approval from the company's stakeholders to boost the firm's trustworthiness and credibility.

Active-Transformational

An active-transformational process entails the company is active in their involvement, and therefore collaborates with the partner to integrate social needs into their business strategies and operations in order to generate a processes and results that will benefit all stakeholders involved. The company's identity and values are altered as a result. The implication for companies is that it takes a lot more resources and time, as identifying common ground between the two players is critical in order to move forward. The cost of the initiative is considered an investment by the company, as they anticipate a gain, through value-creation (increasing net-worth and/or the value of the corporation and its assets). (Davis, 2010)

MANUFACTURING AND SALES OF OLYSET NET: AN ACTIVE TRANSFORMATIONAL CSR INITIATIVE

Impact on the Local Economy and Livelihood in the Kisongo and Arusha Regions

The qualitative benefits of the production of A to Z Textiles was measured on behalf of SOAS, the University of London (Refer to Exhibit 4# for a summary of SOAS's findings). There was evidence that the development of the Kisongo factory stimulated new income-generating activity in the area for small-scale business owners, due to the large number of employees who now reside in the area. In Arusha, the majority (70%) believed that the factory had had a positive impact on the employees as well as the surrounding area. Numbers alone, the Arusha factory represented 20% of the manufacturing jobs in the area. Furthermore all employees believed that the wages they received (well-above the national minimum) were sufficient in providing for themselves, as well as their families and other members of their support networks. This in turn allowed for employees, and prospering small-scale business owners to be able to save some of their earned income to ultimately provide for life's events such as: children's education, money for emergencies, unexpected events etc. (Jennings, 2011).

How is this An Active-Transformative Innovation?

Sumitomo Chemicals was very active in the initiative, having created Vector Health International Ltd. With A to Z Textile Mills, the ownership is split down the middle and therefore the gains (and potential losses) are shared by both companies. Sumitomo Chemicals realized that in order to help prevent malaria effectively and empower the Arusha community, ownership of the manufacturing and the product technology had to be shared. Vector Health tests the efficacy of the products produced and has conducts further analysis for different products to be created. This demonstrates integrating the social need to help combat malaria into their business strategy by changing their operational structure (forming Vector Health) in order to generate positive results. Various stakeholders also benefited from the Olyset Net initiative. In the Kisongo region, new businesses opened due to the increase of people in the community working at A to Z Textile's production plant. There was also an improvement of the town's infrastructure, as a roadway was paved to the factory, increasing economic activity in the area such as private buses (known as daladalas) commuting between Kisongo and Arusha. Having more income to spend, A to Z

Textiles brought in water tankers of 50,000L for the local community to use free-of-charge. (Jennings, 2011) These outcomes were a result of the increase in production and improvement of quality in their products that A to Z Textiles achieved by the partnership with Sumitomo Chemicals.

MENDING THE AFTERMATH OF THE EARTHQUAKE AND TSUNAMI IN 2011: A PASSIVE-TRANSACTIONAL CSR INITITATIVE

The Great East Japan Earthquake

In 2011, on March 11, Japan was hit with an earthquake (magnitude 9), followed by a tsunami that devastated the North Eastern coast of Japan. What is now known as the Great East Japan Earthquake, took the lives of 15,891 people with more than 2,500 still reported as missing. About 230,000 people are still in temporary homes four years later and the total damages from the tsunami and earthquake are estimated at $300 billion dollars (Oskin, 2015).

Sumitomo Chemicals rolled out numerous initiatives to help put the pieces back together for the communities in Japan that had been hit, through in-kind donations and sponsorship of events. For example, the Olyset Net had been donated to coastal regions throughout Japan in July and August in 2011. They were needed as the infestation of files and other insects were proving troublesome at the garbage collection points (list and pictorial representation of transactional initiatives can be viewed in Exhibit 5#).

How is this A Passive-Transactional CSR Initiative?

The number of initiatives that Sumitomo Chemicals took part in were mostly donations of materials and sponsorships. That being said, what was to be done with those materials and/or events was primarily decided by the other parties who were on the receiving side.

For example in the Kamaishi City in Iwate Prefecture, Sumitomo Chemicals helped build an area of farm plots for local residents by partnering with Kamaishi City Social Welfare Council and others. Sumitomo Chemical provided various materials and supplies needed for vegetable plots to the citizens. By allowing the Council and the locals to have control over the resources and supplies, Sumitomo Chemicals “passively” allowed them control. Sumitomo Chemicals was not expected to receive a significant gain from the transaction, as the supplies were a donation for the locals to be able to utilize the plots made. Ultimately, through their various initiatives Sumitomo Chemical was trying to build trust and credibility in their stakeholders by helping those affected by the earthquake/tsunami and creating positive moral for Japanese society at the time of crisis.

CSR IN JAPAN: WHERE DOES SUMITOMO CHEMICALS FIT?

Japanese Conceptualization of a “Good Business”

Japan has various historical moral philosophies and ideologies that are transposed into the protocols and culture of the business. The non-Western worldview of CSR differs that of the Westerners. Japan’s companies’ social responsibility has been criticized in the past, exposing public scandals that are not congruent with western standards of business. As they are facing increased pressures to translate their actions into measureable results, there has been an increase in their CSR initiatives such as creating reports, positions, training programs etc. in order to prove their credibility as a responsible organization to the rest of the world. (Davis, 2010)

The unique relationship between business, society and stakeholders in Japan overlaps with overarching goals of the western perception of CSR, but the vessels used in order to achieve these goals differ greatly, having been influenced by historical philosophies on what constitutes a responsible business in Japan. The roles and responsibilities accepted within corporations in different countries differ greatly, therefore the nature of CSR is not standardized and concrete, but fluid and should be re-evaluated constantly to see how it affects the relationship with various stakeholders (Tanimoto, 2013).

Philosopher's Influence

The foundations for Japanese business ethics stemmed from various philosophers during the Edo Period, Meiji Period and onwards. Namely, Shibusawa Eiichi (1840-1931) known as the "father of Japanese Capitalism" as he was associated with over 500 businesses in Japan. He advocated strongly for business interests while the Japanese government was preoccupied with military concerns at the time. Eiichi led the first Japanese national bank (Dai Ichi Kokuristu Ginko) in 1873, and from there helped create and grow economic institutions like banks, insurance companies, and stock exchange in railroads, textile mills, shipping companies and other industries. His omnipresence in the majority of business sectors made him very respectable, and therefore his philosophies were and are still, highly respected. The basis of his moral towards business was based on the Confucian principles, in that building and maintaining the public's trust was the highest priority. Building trust would insure long-term prosperity for all stakeholders involved. (Sagers, 2014) This relates to the transactional-passive goal of trying to receive social support of the company by building trust and creditability with stakeholders through "transactional" initiatives.

Buddhist Influence

In Japan, Buddhism is a prominent religion that is followed by the citizens, and therefore the moral principles taught have influenced certain businesses values. In brief, Buddhism is a framework that is taught, learned and followed in order to live life in a moral and ethical way, therefore every thought and action of a Buddhist should be good and pure. One of the main principles known as the "Middle Way" has been directly transposed into the Japanese business context as "Doing Business in the Middle Way". This is defined has maintaining an equilibrium between indulging in all the worlds pleasures and desires and suffering and depriving oneself. This is not to say that business should not gain profits, as wealth is not considered greed unless the intention behind the acquisition of the wealth was impure. (Cheng & Low, 2014) For example, companies that constantly cut off suppliers in order to acquire cheaper goods from different suppliers (commonly referred to as "the race to the bottom") would not be "doing business the middle way" as the intent was to profit maximize without thinking about the implications for their suppliers. Therefore an example in Japanese companies would be the continuous long term relationships with suppliers that are formed and built. The cause and effect of the Japanese's firms actions are taken very seriously, considering all stakeholders (investors, individual employees, customers, society and environment) involved in the process. (Cheng & Low, 2014)

Kyosei: "Prosper Together"

Kyosei is a Japanese philosophy that is literally translated into English as working together (kyo) and life (sei), that is companies and their stakeholders will prosper and support one another through the entirety of their existence. Western companies have only recently vocalized the concern that should be taken with all of the stakeholders who come into contact, whereas it has been realized and adopted in Japanese business as "Kyosei" for centuries. (Boardman & Kato, 2003)

Kyosei is also derived from the Confucian philosophy, focusing on a couple of key points:

1. One should treat others the way you would like to be treated
2. The superior man should pursue virtue, not profit
3. Balance between self-interest and altruism should be achieved
4. Harmony can be achieved by acting appropriately within the large complex of relationships
5. By operating near the average ("golden mean"), risk will, and should be avoided

These are some of the guiding principles that Japanese companies may realize. The full list of principles can be viewed in Exhibit #6.

Sanpo-Yoshi: "Good for Three Parties"

Sanpo-yoshi is a root of CSR in Japan, meaning "good for three parties" seller, buyer and society. The concept behind this is that buyers must be satisfied and contribute the local community for merchants to be able to benefit from a transaction. This derived from the Ohmi (Center of Japan Kyoto and Osaka) merchants during the Edo period based on their experiences. The idea of building trust with the community was essential for these merchants to be able to sell their products in different cities. (Tanimoto, 2013) Their business was to be conducted with the aim of creating mutual satisfaction for both themselves and their customers by making modest profits that at the time was argued to cover the cost between traveling to different cities. In Japanese companies there is an understanding of a company as being a public entity of society. Sanpo-yoshi is more of a moral construct for Japanese business professionals, has they should not profit from their business at the expense of society (Davis, 2010).

Where does Sumitomo Chemicals fit in?

As CSR is a newly termed concept, it is in a continuous, developing state, as its bounds and constructs have various genetic make ups depending on which country you are in. As the Western concept of CSR is still relatively new to Japan, Sumitomo Chemicals has been quick on their feet to responding and morphing their pre-existing "Japanese good business" principles and repackaging it into a typical CSR business model. This includes CSR reports describing their efforts to nurture stakeholder relationships, reduce environmental impacts, results of social projects and so on. Sumitomo Chemicals' CSR strategy is compliant with international standards like the United Nation's ten principles of the Global Compact, as well as having collaborating with them for a number of their projects (Sumitomo Chemicals).

Japanese traditions and morals also play strongly into their philosophy, as their CSR philosophies and goals are congruent with certain aspects of the good Japanese business philosophies. For example their basic CSR Policy states they will aim to achieve an "equitable balance between profitable business operations, preservation of the environment, safety, product quality and positive social activity" which correlates with the Middle Way of doing business. Kyosei is the foundation of Sumitomo Chemical's business relationships, as grouping or conglomerates of businesses was and still is, present in Japanese corporations today. Sumitomo Group was historically a horizontal corporate network that includes 20 of the nation's biggest and well-known companies. These conglomerates of companies "prospered together" by minimizing the risk for themselves by buying a certain portion of another member's shares (known as "cross-shareholding") (Cutts, 1992). This way, they could achieve stable long-term growth while smoothing out the rough parts across all members. As Japan has been internationalizing in their markets, there have been many reforms put into place to open up the selling of their shares to the public.

The mutual pro-growth relationships that Sumitomo Chemical holds with its business partners have been critical for the long-term success of the company. For example, in order to have achieved their goal of helping combat the social and economic problems that malaria has been causing in Tanzania, they required the local expertise and distribution networks that A to Z Textiles Mills knew and was familiar with. In other words as the abilities, knowledge, and assets of a corporation's partner are needed in order to complete their own goals. This mutual dependency binds the two companies together for the long term as long as both parties consistently share the common interest in completing the goal. (Davis, 2010)

The two examples presented in the case demonstrate that Japanese companies, depending on their size and resources, can engage in multiple forms of CSR. Sumitomo Chemical exemplified this through their Olyset Net initiative (active-transformational) and post-earthquake aids (passive-transactional). Traditionally, most Japanese companies have been found to adopt the passive-transactional approach. This can be attributed to the pressure companies' face to prove their social responsibility within the various standardized measures that have shaped the CSR movement to date. (Davis, 2010) In other words, they shape their CSR initiatives as transactions of resources in order to gain "social legitimacy" for their company in a timely manner. The Japan Association of Corporate Executives had done a study with numerous Japanese CEOs showing that over 50% considered CSR added little or no value and was simply a modern day cost of business. Therefore, active-transformational CSR initiatives, such as the Sumitomo Chemicals support and engagement with A to Z Textile's to create Vector Health and produce Olyset Nets, are considered rare. However when implemented properly, both parties involved are left better off than before (value-creation), presenting a large scope for learning and innovation.

CONCLUSION

The CSR initiatives between company to company differ due to a number of internal and external reasons (size, capacity, resources availability, stakeholder priorities, to name a few). Sumitomo Chemical has demonstrated that even within the same company, different CSR initiatives can range from active-transformational to passive-transactional, and fall anywhere in between. The type of initiative affects the amount of impact it will have, as a passive-transactional is reasonable in impact, an active-transformational has a much farther reach. Sumitomo Chemical and A to Z Textile demonstrate this through the success in their partnership, with the development of Vector Health International, production of Olyset Net, and helping the fight against malaria. But the question remains for the future direction of the Olyset Net, due to the competition and Tanzanian financial landscape barriers. Should Sumitomo Chemicals utilize Vector Health's ATRC and push for R&D in new innovative products that help a social cause? Try to further carve out their place in the market with the Olyset Net? Withdraw their involvement with A to Z Textile altogether?

The Olyset Net initiative has bound together these two companies, and as described in the Japanese context, the dynamic between business partners is dependent and long-term. Japanese CSR is a continual, changing process that is constantly shaping the roles and actions of the company's actions, so the future of this active-transformational CSR initiative is lies in the hands of both partners.

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APPENDIX

EXHIBIT #1: Consolidated Financials, Sumitomo Chemicals, Fiscal Year Ended March 31st 2015

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Assets			
Current assets:			
Cash and cash equivalents (Notes 5, 9 and 20)	¥ 201,997	¥ 132,321	$ 1,680,927
Short-term investments (Note 5)	3,013	2,091	25,073
Securities (Notes 5 and 7)	18,549	30,333	154,356
Trade notes and accounts receivable (Notes 5 and 9)	456,054	448,415	3,795,074
Inventories (Note 6)	439,880	429,450	3,660,481
Deferred tax assets (Note 15)	60,526	56,909	503,670
Other (Notes 5 and 21)	82,804	144,572	689,056
Allowance for doubtful accounts	(1,917)	(1,564)	(15,952)
Total current assets	1,260,906	1,242,527	10,492,685
Property, plant and equipment (Notes 9 and 12):			
Land	82,765	83,200	688,733
Buildings and structures	660,694	639,961	5,497,994
Machinery and equipment	1,833,432	1,762,526	15,256,986
Construction in progress	44,342	50,463	368,994
	2,621,233	2,536,150	21,812,707
Less accumulated depreciation	(1,926,798)	(1,813,310)	(16,033,935)
Net property, plant and equipment	694,435	722,840	5,778,772
Investments and other assets:			
Investment securities (Notes 5, 7, 8, 9 and 21)	518,800	450,094	4,317,217
Long-term loans (Notes 5 and 21)	74,766	63,988	622,169
Net defined benefit asset (Note 13)	68,276	58,645	568,162
Deferred tax assets (Note 15)	17,701	21,495	147,300
Goodwill	95,249	86,813	792,619
Patents (Note 12)	5,200	21,069	43,272
Software	12,204	11,542	101,556
In-process research and development (Note 12)	64,456	56,072	536,373
Other (Notes 8 and 21)	69,262	54,330	576,366
Allowance for doubtful accounts	(859)	(908)	(7,148)
Total investments and other assets	925,055	823,140	7,697,886
Total assets	¥2,880,396	¥2,788,507	$23,969,343

See accompanying notes.

	2015	2014	2015
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 5 and 9)	**¥ 147,805**	¥ 216,148	**$ 1,229,966**
Long-term debt due within one year (Notes 5 and 9)	**138,736**	126,859	**1,154,498**
Trade notes and accounts payable (Note 5)	**258,161**	296,072	**2,148,298**
Income taxes payable	**14,357**	18,540	**119,472**
Reserve for sales rebates	**36,352**	26,421	**302,505**
Reserve for bonuses	**29,236**	26,376	**243,289**
Other (Note 15)	**245,198**	238,798	**2,040,426**
Total current liabilities	**869,845**	949,214	**7,238,454**
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	**693,632**	731,591	**5,772,090**
Deferred tax liabilities (Note 15)	**96,253**	84,110	**800,974**
Net defined benefit liability (Note 13)	**34,178**	31,065	**284,414**
Other	**68,272**	58,021	**568,127**
Total long-term liabilities	**892,335**	904,787	**7,425,605**
Contingent liabilities (Note 17)			
Net assets (Note 16):			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2015			
1,655,446,177 shares at March 31, 2014	**89,699**	89,699	**746,434**
Capital surplus	**23,695**	23,695	**197,179**
Retained earnings	**477,445**	444,671	**3,973,079**
Treasury stock, at cost			
21,075,315 shares at March 31, 2015			
20,955,700 shares at March 31, 2014	**(8,870)**	(8,816)	**(73,812)**
Shareholders' equity	**581,969**	549,249	**4,842,880**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**104,841**	78,604	**872,439**
Deferred losses on hedges	**(97)**	(358)	**(807)**
Land revaluation reserve (Note 18)	**4,363**	4,130	**36,307**
Foreign currency translation adjustment	**82,284**	(1,420)	**684,730**
Remeasurements of defined benefit plans	**17,959**	13,092	**149,447**
Total accumulated other comprehensive income	**209,350**	94,048	**1,742,116**
Minority interests	**326,897**	291,209	**2,720,288**
Total net assets	**1,118,216**	934,506	**9,305,284**
Total liabilities and net assets	**¥2,880,396**	¥2,788,507	**$23,969,343**

See accompanying notes.

Consolidated Statements of Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	**2015**
Net sales	**¥2,376,697**	¥2,243,794	**$19,777,790**
Cost of sales	**1,727,803**	1,639,649	**14,377,990**
Selling, general and administrative expenses	**521,548**	503,303	**4,340,085**
Operating income	**127,346**	100,842	**1,059,715**
Other income (expenses):			
Interest and dividend income (Note 21)	**14,141**	7,956	**117,675**
Interest expenses	**(13,483)**	(12,837)	**(112,199)**
Equity in earnings of affiliates	**23.931**	12.027	**199.143**
Net gain on foreign currency transactions	**9,957**	4,837	**82,858**
Cost of inactive facilities	**(3,296)**	(2,462)	**(27,428)**
Gain on sale of property, plant and equipment	**16,241**	2,586	**135,150**
Gain on sale of investment securities	**4,090**	3,414	**34,035**
Compensation income	**2,700**	—	**22,468**
Compensation income for damage	**1,711**	—	**14,238**
Gain on bargain purchase	**—**	1,740	**—**
Fair value adjustment of contingent consideration	**—**	1,284	**—**
Impairment loss (Note 12)	**(33,258)**	(21,823)	**(276,758)**
Restructuring charges (Note 14)	**(32,196)**	(10,648)	**(267,920)**
Loss on valuation of investment securities	**—**	(1,462)	**—**
Other, net	**(1,182)**	746	**(9,836)**
Income before income taxes and minority interests	**116,702**	86,200	**971,141**
Income taxes (Note 15):			
Current	**37,772**	30,867	**314,321**
Deferred	**7,826**	373	**65,125**
	45,598	31,240	**379,446**
Income before minority interests	**71,104**	54,960	**591,695**
Minority interests	**18,912**	17,983	**157,377**
Net income	**¥ 52,192**	¥ 36,977	**$ 434,318**

	Yen	US dollars (Note 1)

EXHIBIT #2: Press release of the opening of Vector Health International

July 11, 2012

Research Center Built at Joint Venture in Tanzania

Vector Health International Ltd. (Vector Health), a joint venture in Arusha, Tanzania, between Sumitomo Chemical Company (Sumitomo Chemical) and an A to Z Textile Mills Ltd. group company, has set up a research laboratory to equip itself with research and development functions, in addition to production capabilities, for the Olyset® Net insecticidal mosquito net for malaria prevention.

The newly established Africa Technical Research Center (ATRC), located also in Arusha, Tanzania, will conduct efficacy trials, development and analysis of vector control (*1) products and agricultural products.

Of all cases of malaria, about 90% occurs in sub-Saharan Africa. As malaria is transmitted to a human through the bite of a mosquito infected with malaria parasites, the use of insecticidal mosquito nets has been recognized to be effective for the prevention of the disease. Olyset® Net, developed with Sumitomo Chemical's proprietary technology, is the first net endorsed by the World Health Organization (WHO) in 2001 as a long-lasting insecticidal net. Vector Health, a major manufacturing base for Olyset® Net, has contributed significantly to prevention of malaria infection.

A means perceived to be useful in reducing malaria victims further effectively lies in a comprehensive approach that employs not only insecticidal nets, but other related products in combination as a set of protective measures against insects. On the other hand, an increasing number of findings are reported in certain regions that mosquitoes are showing resistance to pyrethroid insecticides that are used in the mosquito nets, and it is much needed to also develop a new type of insecticidal net. Under these circumstances, Vector Health has decided to set up ATRC as its research arm, aiming to expand the product lineup the company can offer.

Meanwhile, decreasing Africa's starving population is among the high-priority challenges that the international community has constantly addressed, as stated in the United Nations' Millennium Development Goals (MDG s)(*2). Going forward, increasing crop productivity will be all the more needed with the appropriate use of agricultural chemicals and other related products. Given the situation, ATRC will also work to develop agricultural products geared specifically to countries of Africa, such as netting for crops, by capitalizing on Sumitomo Chemical's advanced technological

expertise as well as a variety of know-how cultivated through implementing the Olyset® Net business over many years.

ATRC is the Sumitomo Chemical Group's first research facility ever built in Africa. It is currently hiring researchers from within Tanzania and its neighboring countries and will soon begin activities. The research center will contribute importantly to accelerating early development of new products by conducting on-the-spot efficacy trials, development and analysis in the African environment where products are actually used.

Sumitomo Chemical will continue to exert unabated active efforts in promoting malaria rollback and decreasing the starving population, both of which are accountable for Africa's retarded economic development, by advancing its development initiatives and business expansion with respect to vector control products and agricultural products.

(*1) vector control: Limiting the spread of diseases such as malaria and yellow fever that are transmitted by mosquitoes and other insects.

(*2) Millennium Development Goals (MDGs): Adopted as an action plan by the United Nations in September 2000 based on the UN Millennium Declaration, the Millennium Development Goals include goals to be achieved in eight categories such as poverty, education, the environment, and human rights.

EXHIBIT #3: Malaria Statistics

＜Company Profile＞
Name: Vector Health International Ltd.
Location: Arusha, Tanzania
Establishment: September 2005
Capital: US$3 million
Investment ratio: Sumitomo Chemical Co. 50%, Net Health Ltd. 50%
President: Kalpesh Shah
Number of employees: Approximately 2,800
Business: Production of Olyset® Net

＜Profile of Research Facility＞
Name: Africa Technical Research Center
Location: Arusha, Tanzania
Establishment: June 2012
Director: Dr. Johnson O. Odera
Number of researchers: Approximately 30
Research activities:
(1) Efficacy trials of vector control products, including long-lasting insecticidal nets
(2) Efficacy trials of agricultural pest control products
(3) Chemical analysis that supports these two areas of development

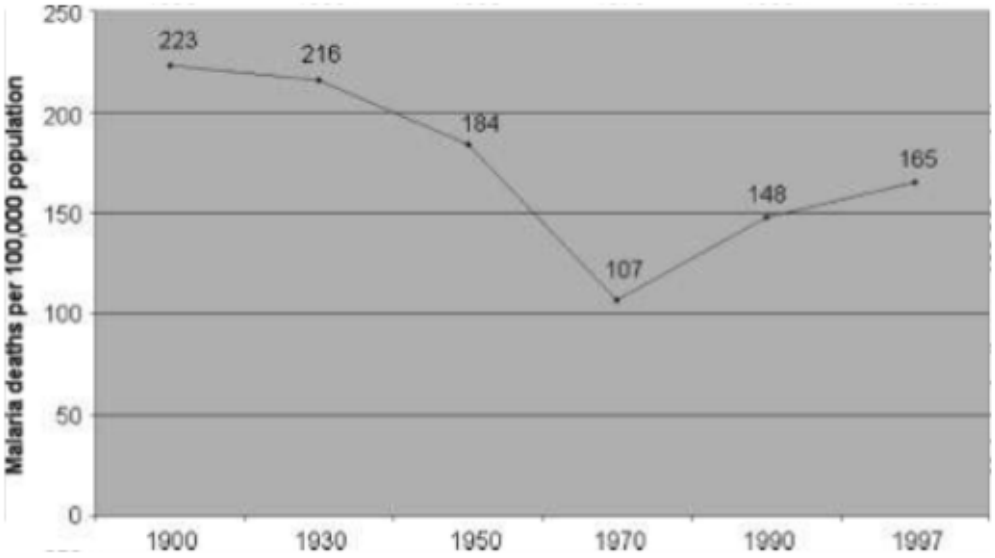

Chart: Malaria Caused Deaths per 100,000 Persons from 1900-1998 (Jowett & Miller, 2005)

Table 2. Total malaria expenditures in Tanzania 1998/9 (US$)

Item	US$(1998)
Total malaria expenditures in Tanzania	64 580 000
Malaria as % total health expenditures	39%
Malaria expenditure per capita	2.20
Of which GoT =	0.44 (20%)
Of which donors =	0.21 (9%)
Of which private =	1.55 (71%)

Figure: Total Malaria Expenditures by Source 1998-1999 (Jowett & Miller, 2005)

EXHIBIT #4: Summary of SOAS's findings

Employees and managers from all levels in the in the organization were asked a series of questions in an interview style. Separate surveys were also carried out amongst 40 local businesses in the area around the Kisongo factory, and in Arusha Town. It found:

- 75% of employees are able to save money from their wages (with 44% saving on a monthly basis);
- 64% said that they could now plan for the future, with 55% saying that their regular income had enabled them to apply for credit;
- 71% said their wages enabled them pay for their children's education, with 75% confirming that their wages were supporting their immediate family and other relations;
- 68% of local businesses indicated that they received most of their income from factory employees' custom;
- 13 businesses had been established in Kisongo in the past 12 months, specifically in response to the needs of the employees.**EXHIBIT #5: Sumitomo Chemical's "Great East Japan Earthquake" Initiatives:**

1. Support in Combating Fly and Other Insect Infestations
   In July 2011, we donated our insecticides SUMITHION™ and SUMILARV™ to areas suffering damage from insect pests, such as from fly infestations, through local governments (12 municipalities in Iwate and Miyagi Prefectures).

2. Installing Highly Functional Insecticidal Nets
   In July-August, 2011, we installed highly functional insecticidal nets at garbage collection points in temporary housing areas to keep out pests in coastal regions affected by the earthquake and tsunami, where outbreaks of fly infestations and other insects had become a significant problem.

3. Donating Functional Innerwear
   In November and December of 2011, Sumitomo Chemical individually distributed HEATFACT™ innerwear, a product of retailer AEON primarily made from acrylonitrile manufactured by Sumitomo Chemical, to people living in temporary housing and other public apartments. Roughly 10,000 units were distributed.

4. Participating in the Tohoku Cotton Project
   Sumitomo Chemical has been participating in the Tohoku Cotton Project as one of the supporting companies since December 2011. Under this project, farmers cultivate cotton in paddy fields that were devastated by the tsunami, where rice cultivation is no longer viable, and participating companies jointly engage in spinning, commercializing and marketing the cotton. Sumitomo Chemical is contributing to the project by utilizing both its products and its long-accumulated expertise to make proposals for the removal of harmful insects and weeds and to obtain pesticide registration as required for the cultivation of cotton.

5. Sumitomo Chemical Employees Teach Science Experiment Classes
   Using Sumitomo Chemical products, science experiment classes were held for elementary school students to teach them the wonders and joys of chemistry. (Two rounds of classes were held: July-August 2012 and March 2013.)

6. Supporting the Operation of Resident Farm Plots in Tsunami-Ravaged Area
   In Kamaishi City in Iwate Prefecture, an area of farm plots for local residents called Hakozaki Farm was established in June 2013. In collaboration with the Kamaishi City Social Welfare Council and others, Sumitomo Chemical helped sponsor an opening ceremony as well as, in October 2013, a harvest event. Volunteers from Sumitomo Chemical were dispatched to attend those events, and they provided various materials and supplies needed for vegetable plots.

Taken from: http://www.sumitomo-chem.co.jp/english/csr/disaster_recovery/

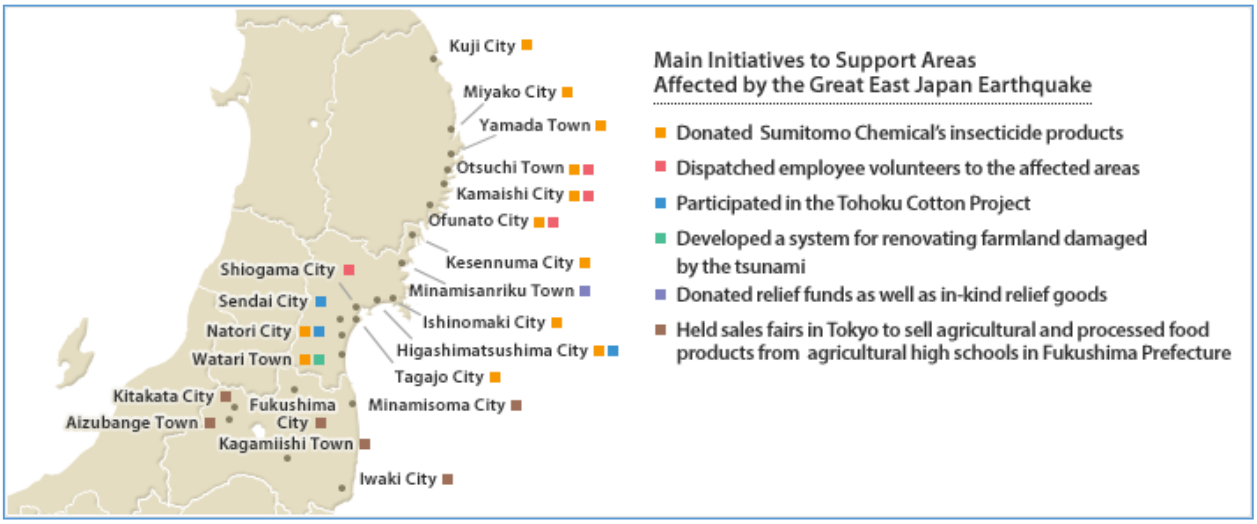

EXHIBIT #6: Kyosei Guiding Principles (Based on Confucianism) (Boardman & Kato, 2003)

1. Reciprocity should be practiced throughout one's life. In short, one should treat others the way you would like to be treated.

2. Virtue, not profit, should be the goal of the superior man.

3. There should be a balance between self-interest and altruism.

4. We do not exist in isolation; we are a part of a larger and more complex family (literally and figuratively) where harmony can be achieved by acting appropriately with one another.

5. Risk should be avoided by operating near the average, or the "golden mean," of possibilities.

6. With respect to relationships, filial obedience to and respect for one's parents are paramount. At the same time, one should be cautious about becoming too intimate with women.

7. One should love learning, live the simple life, practice what has been learned, and seek good teachers from whom one could continue learn throughout one's life.

8. These beliefs, or philosophies, have become the legacy and "the way" of Confucius.