Posters

Defining "Sustainable Companies" for Ethical Investment: The Cultural Differences Problematic

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Abstract

While the need for developing sustainability metrics is increasing, several factors call its implementation into question. One of those is cultural differences. This factor has direct repercussions on practices in the field of socially responsible investments.

Financial institutions through the nascent but growing movement of socially responsible investment (SRI) need to assess companies on social and environmental criteria. At the very beginning SRI were mainly concerned with national companies and assessments were limited to the national territory. The current trend is to extend the scope to an international level. Reasons urging such development are the international dimension of companies and the need for diversifying portfolio. It leads undeniably to the cultural differences problematic and questions the way sustainability is measured. Culture has the capability, by virtue of the moral understanding in it, to change social and environmental developments.

Practical consequences for SRI managers are numerous and affect both the way they assess companies (in terms of criteria) and data they get from companies. Nevertheless, their task is to assess and compare companies on social and environmental criteria. Therefore they use standardised sustainability metrics. By doing so, they rub off the sensitive issue of culture which entails at measuring without understanding that is in a "blind way".

Observations:

- Perceptions and definitions of sustainability at the firm level differ due to cultural differences.
- Definitions and practices of socially responsible investments are closely related to cultural differences.

Therefore:

- Not taking into account cultural differences might mislead companies' assessment.
- Taking cultural differences into account when assessing companies might lead to deny the investors' believes and ethics.

Thus:

- Cultural differences make necessary data for sustainability metrics hardly comparable, reliable and available.
- Standardised sustainable metrics are hardly possible unless putting aside at least one crucial determinant that is the cultural differences.

Questions:

- To what extend sustainability metrics should/can take into account cultural differences ?
- Is it possible to provide an " ethical " rating of companies for SRI ?
- How can socially responsible investments influence corporate behaviour change towards sustainable development?

The cultural differences problematic when assessing businesses on social and environmental issues is part of a research focusing on the understanding of the role of the capital market to stimulate sustainable development at firm level. The goals are to better understand first of all how principles of sustainability can be incorporated into the process of investment to reach an advantage for the environment and the competitiveness of the financial institutions and then to understand how the SRI movement can influence firms' behaviour. The research adopts an international perspective by analysing practices in several countries. If you have different ideas or interesting views related to this topic that you would like to share with me don't hesitate to contact me.